

Review of UK and European Trade Mark Cases 2018

BRISTOWS

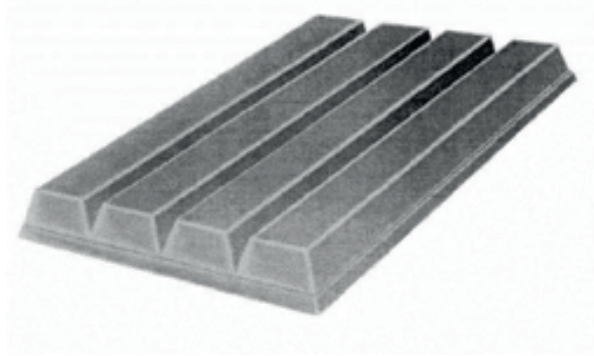
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Introduction

This edition of a Review of UK and European Trade Mark Cases 2018 includes a number of interesting cases in relation to invalidity and designations of origin and geographical indications. We also include a section on Brexit and the likely implications this may have on EU applications, registrations and oppositions.

Distinctiveness – Shapes



2018 saw the CJEU send the KitKat saga back to the EUIPO for them to consider whether the 3D '4 finger KitKat' mark shown above can be retained as an EU trade mark¹. The EUIPO had to consider whether the mark had acquired distinctive character across the whole EU and not just a substantial part.

Readers will likely be aware of the history of this case and last year's review contained details of the parallel proceedings in the UK where the Court of Appeal confirmed that recognition and association is not enough for a trade mark to acquire distinctiveness. Proprietors seeking to register inherently non-distinctive shape marks need to prove that consumers perceive the shape as a trade mark. The Court of Appeal dismissed Nestle's appeal and the mark is no longer valid in the UK.

Meanwhile in the EU, back in 2016, the General Court held this same mark to be invalid on the grounds that the EUIPO had failed to require evidence of acquired distinctiveness in all of the relevant EU member states. Nestle had shown evidence that the mark had acquired distinctiveness through use in a substantial part of the EU (10 out of 15 Member States at the time). However, they had not provided evidence for the other countries, so the General Court concluded that the EUIPO finding on this basis was not valid as it did not cover the territory of the whole EU.

Nestle, Mondelez and the EUIPO appealed to the Court of Justice against the General Court judgment. In July last year, the CJEU dismissed all three appeals.

Mondelez had appealed against the findings of acquired distinctiveness in the 10 Member States. The CJEU held that this appeal was inadmissible because it did not seek to have the operative part of the judgment overturned.

Nestle and the EUIPO's appeals were based on arguments that it could not be correct that a trade mark proprietor was required to show acquired distinctiveness in each individual member state separately because this would go against the unitary character of the mark.

The CJEU replied on established case law which does not allow registration of an inherently non-distinctive sign where it can only prove acquired distinctive character through use in a significant part of the EU.

The Court noted that the EU Regulations do not require the acquisition of distinctive character to be established by showing individual evidence for each separate Member State. However, the evidence submitted must be capable of establishing that distinctive character has been acquired throughout all Member States.

They considered that it would be possible to group certain Member States together – for example, if certain Member States were part of the same distribution networks or part of a single marketing strategy for a company. If this was the case, it would be possible that evidence of use of the sign within such a 'grouped market' could be relevant for all those Member States. This is useful confirmation for trade mark proprietors that evidence of cross-border use can be used to show acquired distinctiveness in other Member States, although there is no guidance on how much importance it should be given.

The Court upheld the judgment under appeal and confirmed that acquisition of distinctive character by a mark which does not have inherent distinctive character must be shown throughout the EU and not just in a substantial part. Although proof may be produced as a whole or for different groups of states, it is not sufficient if the evidence fails to cover any part of the EU, even if that part was to be one Member State.

They therefore concluded that the General Court was correct to annul the EUIPO decision because they had not adjudicated on whether the mark in question had acquired distinctive character in the other Member States.

It is now for the EUIPO to decide whether the mark can be retained as an EU trade mark. If they determine that Nestle have submitted enough evidence to establish acquired distinctiveness in the remaining countries

¹ *Société des produits Nestlé SA v Mondelez UK Holdings & Services Ltd* (Joined Cases C-84/17, C-85/17 P and C-95/17 P)

and can retain their mark, it will lead to an interesting scenario where Nestle will have an EU registration but are unable to enforce this in the UK. It also remains to be seen what impact Brexit (if any) may have on this.

Following the reallocation of the hotly contested case of *Louboutin & Ors v Van Haren Schoenen BV*² to the Grand Chamber and the reopening of the oral procedure towards the end of 2017, Advocate General Szpunar issued a second opinion on 6 February 2018.

As a reminder, the question that the Court had been asked to consider was:

- Is the notion of ‘shape’ within the meaning of Art 3(1)(e)(iii) limited to the three-dimensional properties of the goods, such as their contours, measurements and volume (expressed three-dimensionally), or does it include other (non-three dimensional) properties of the goods, such as their colour?



“The mark consists of the colour red (Pantone 18-1663TP) applied to the sole of the shoe as shown (the contour of the shoe is not part of the trade mark but is intended to show the positioning of the mark)”

The AG’s first opinion had concluded that the mark should be ‘*equated with a sign consisting of the shape of the goods and seeking protection for a colour in relation to that shape, rather than one consisting of a colour per se*’. He considered that this was a factual assessment to be made by the referring Court but these types of marks could fall within the Article 3 prohibition.

He stated that, when considering whether the shape gives substantial value to the goods within the meaning of Article 3(1)(e)(iii) of Directive 2008/95, no account should be taken of the attractiveness of the goods flowing from the reputation of the trade mark or its proprietor. Instead, consideration should be given only to the intrinsic value of the shape itself.

His second opinion maintained his view that the mark should not be considered a colour mark per se, even going so far as to say he was even less inclined that it was a colour mark after hearing the further submissions of the interested parties. He also went on to consider the language changes in the 2015 Trade Mark Directive.

The CJEU handed down their long-awaited judgment in June, departing from the AG’s opinion and ruling that a sign consisting of a colour applied to a shape is not covered by the prohibition in Article 3 because it does not consist ‘*exclusively*’ of the shape. They considered that a sign cannot exclusively be a shape where its main element is a specific colour identified by an internationally recognised code.

The Directive gives no definition of ‘shape’ so the Court looked at its usual meaning in everyday language. They understood this to be ‘*a set of lines or contours that outline the product concerned*’.

The Court acknowledged that the shape of a product plays a role in creating the outline for a colour, but held that it could not be considered a mark of shape where that registration did not seek to protect the shape but merely the application of colour to a part of that product. The mark in question specifically states that the contours are not part of the mark and are simply intended to indicate the positioning of the mark on the product.

The matter has now been referred back to the Hague District Court for a final decision.

Interestingly, in a very short judgment (even for the CJEU), they did not address any of the points raised by the AG about the amended wording in the 2015 Trade Mark Directive. So, whilst the decision provides some clarity for trade mark Applicants on how to phrase their applications for colour marks as applied to products (or parts of), it remains to be seen whether this will still be applicable now the new Directive has extended the prohibition in (old) Article 3 from shape to ‘shape or another characteristic, which gives substantial value to the goods’.

² Case-163/16, 12 June 2018

Distinctiveness - Colour

In our 2016 edition, we reported on Cadbury's unsuccessful appeal to the High Court, following the UKIPO's refusal to amend Cadbury's registration for the colour purple. This decision was further appealed to the Court of Appeal in 2018, which has again proved ultimately unsuccessful.

The case centred around the description of the mark, which was originally registered as follows: *"The mark consists of the colour purple, as shown on the form of application, applied to the whole visible surface, or being the predominant colour applied to the whole visible surface, of the packaging of the goods."* Following the Court of Appeal's decision in 2013 that the *"predominant colour"* wording allowed for a *"multitude of different visual forms"*, and did not therefore constitute a sign that was graphically represented, Cadbury has attempted on several occasions to have the *"predominant colour"* wording removed from the description.

Owing to the fact trade marks cannot be altered post-registration (except in very limited circumstances), Cadbury argued that the registration was, in fact, a series of two marks; one being 'the colour purple applied to the whole of the visible surface of the packaging' and the other being 'the colour purple being the predominant colour applied to the whole visible surface of the packaging'. On that interpretation, it would therefore be permissible to delete the latter (namely the *"predominant colour"* mark) from the series and keep the former on the Register.

Both the UKIPO Hearing Officer in 2014 and then the High Court in 2016 rejected this argument and refused to delete the predominant colour wording, resulting in an appeal to the Court of Appeal.

Whilst Floyd LJ expressed some sympathy for Cadbury (owing to the fact that the description had been changed following specific guidance from the Registrar in 1997), he concurred with the view of the UKIPO and the High Court. It was emphasised that it is important in such circumstances to consider what the reader of the description of the mark would think, having knowledge of the requirements for the registration. Taking this approach, the use of the word *"or"* in the description was not enough to convince the judge that it referred to two separate marks, but of a series consisting of an unknown number of marks.

Acquired Distinctiveness in colour marks

The case of *G & M Deck Ltd v J. Mac Safety Systems*

*Ltd*³ serves as a helpful reminder of the evidential difficulties Applicants can face when attempting to register colour marks on the grounds of acquired distinctiveness.

G&M Deck Ltd, applied to register the colour orange (Pantone 1595C) for "safety platform decking made of high-density polyethylene (HDPE), all for use in the house building industry".

The Applicant overcame an initial objection by the UKIPO under Section 3(1)(b)⁴, but was then opposed following publication. The Applicant provided evidence which, amongst other things, included correspondence solicited from the trade and the Applicant's own customers, with one example being a direct request to a trade body to provide a statement confirming that orange decking was distinctive of the Applicant.

The Hearing Officer was unconvinced by such evidence, stating it to be weak, being hearsay, and was not persuaded that the evidence as a whole supported a claim of acquired distinctiveness.

Distinctiveness – Word/figurative marks

In UK Opposition proceedings between *Gleann Mor Spirits Co Limited* and *Muckle Brig Limited*⁵ the Hearing Officer concluded that UK customers of alcoholic beverages would consider that LEITH designates the geographical origin of the goods covered by the application (gin) and therefore lacks distinctive character for such goods.

Gleann Mor Spirits Co Limited ("the Applicant") filed an application to register the following logo in class 33, covering alcoholic beverages consisting of or containing gin ("the Applicant's Mark")



The application was opposed by Muckle Brig Limited ("the Opponent") on the basis of their earlier UK Trade Mark Registration for the words PORT OF LEITH DISTILLERY ("the Opponent's Mark") covering alcoholic beverages, and also relying on passing off rights acquired through use of the logo shown below

³ O/433/18, 17 July 2018

⁴ UK Trade Marks Act 1994

⁵ O/042/18, 19 January 2018

throughout the UK since March 2016 (“the Opponent’s unregistered Mark”):



The Applicant noted in their counterstatement that it had adopted the words LEITH GIN because it is a distributor of gin, based in the Leith area of Edinburgh, which is an area highly associated with the production of gin, as well as distilling and brewing activities. Considering the parties’ evidence, the Hearing Officer found that UK consumers of alcoholic beverages would be aware of Leith as a place name in Scotland and that they would be liable to consider that the word LEITH designates the geographical origin of the goods. As such, the word LEITH itself lacks distinctive character in respect of such goods.

On a comparison of the marks, the Hearing Officer found that the logo element of the Applicant’s Mark would be the most distinctive element of this mark. Furthermore, it was likely that the goods in question would be selected by visual means – such as through advertisements, self-service shops or drinks lists. Therefore on a visual and aural comparison, the only element that the Applicant’s Mark and the Opponent’s Mark share is the word LEITH, already held to lack distinctive character in respect of the goods covered by the respective marks. The goods covered by the Applicant’s Mark were identical to those covered by the Opponent’s Mark. Taking these factors into account, the Hearing Officer found that there is no likelihood of direct visual or aural confusion as “the marks look and sound too different for that, even after allowing for the relatively higher level of conceptual similarity between the marks and making some allowance for imperfect recollection”.

Turning to the argument under passing off, the Hearing Officer noted the Opponent’s claim of use of the logo mark shown above since March 2016 in relation to Scotch Whisky and Whisky based beverages. However, the Opponent provided no evidence that it had offered goods for sale prior to the date of application of the Applicant’s Mark – the evidence was limited to use of the mark in discussion with investors. On this basis, the Opponent had not demonstrated a reputation in its mark prior to the date of application

and therefore, the required goodwill to establish a passing off right had not been demonstrated.

Confusion

Factors that are relevant in determining whether there is a likelihood of confusion include similarity of signs (including analysis of visual, phonetic and conceptual similarities), similarity of goods and services, the distinctiveness of the earlier mark, the distinctive and dominant elements of the conflicting signs and the relevant public.

The General Court had to decide whether the use of a roundel logo in respect of identical services was enough to warrant a finding of a likelihood of confusion in the case of *Starbucks Corp v EUIPO & Nersesyan*⁶.

By way of background, in 2013 Hasmik Nersesyan filed an EUTM application to register the logo mark featuring the words COFFEE ROCKS in a roundel device, with musical notes incorporating coffee beans as the musical note heads (“the Applicant’s mark”). The application covered services for providing drinks in class 43.



Upon publication, the application was opposed by Starbucks, who relied on a range of earlier EUTM and UK logo registrations featuring the words STARBUCKS COFFEE with stars and mermaid device in a roundel device as well as a Spanish registration for the roundel alone, all covering identical services for providing food and drink in class 43 (or in the case of the older registrations, class 42) and/or similar goods relating to coffee and other beverages in class 30 (“the earlier marks”).



⁶ T-398/16, 16 January 2018

The EUIPO Opposition Division rejected the Opposition in its entirety and Starbucks appealed to the EUIPO Board of Appeal. The Board of Appeal concurred with the Opposition Division and found that in their view, the marks were visually, phonetically and conceptually dissimilar. It was the Board's view that the distinctive element of the earlier marks was the STARBUCKS word and the mermaid device, which had no equivalent in the Applicant's mark. As such, due to the finding of dissimilarity between the marks, no assessment as to the likelihood of confusion was conducted by the Board.

Starbucks appealed to the General Court, who disagreed with the finding of the Board of Appeal. Despite the dissimilarity between the word elements of each mark, the Court held that it could not be found that the other elements comprising the marks were negligible to the overall impression created by those marks, in particular, the roundel device and the border and word COFFEE, despite the descriptive nature of this word in respect of the goods/services concerned. The Court also held that the element COFFEE linked the signs conceptually, with both conveying the concept of a coffee shop. The Court found that a global assessment of the likelihood of confusion should be applied when there are similarities between signs at issue, which takes into account all relevant factors and should be based on the overall impression given by the marks, bearing in mind their distinctive and dominant elements. Furthermore, it is settled case law that identity or a high degree of similarity between the goods and services covered by signs can offset a lower degree of similarity between signs. On this basis, the General Court found that the Board of Appeal had erred in its finding that there were no similarities between the marks and annulled the earlier decision.

Jurisdiction

In *AMS Neve Ltd & Ors v Heritage Audio SL & Anor*⁷, the question arose as to whether or not the UK Courts have jurisdiction to hear an EU trade mark infringement claim. The Defendant was domiciled in another Member State (Spain) and had carried out the alleged infringing acts i.e. placed an advertisement on a website from that Member State (Spain) which targeted consumers in the UK.

Article 97(5) of the EU Trade Mark Regulation ((EC) No. 207/2009) reads as below :

"[p]roceedings [...] may also be brought in the courts of the Member State in which the act of infringement has been committed or threatened"

In *Coty*⁸ the CJEU (previously known as the ECJ) provided jurisdiction only on the Courts in the Member State in which the Defendant committed the relevant infringing acts. However, it was not clear on what would be the jurisdiction for activities which are not in the UK but are 'targeting' customers in the UK via their websites. The Intellectual Property Enterprise Court (IPEC) held that the UK Courts do not have jurisdiction in respect of EU trade mark infringement cases.

In this respect, the Court of Appeal has requested some clarification on the interpretation of Article 97(5) and referred the following questions to the CJEU: –

"In circumstances where an undertaking is established and domiciled in Member State A and has taken steps in that territory to advertise and offer for sale goods under a sign identical to an EU trade mark on a website targeted at traders and consumers in Member State B:

- i. *Does an EU trade mark court in Member State B have jurisdiction to hear a claim for infringement of the EU trade mark in respect of the advertisement and offer for sale of the goods in that territory?*
- ii. *If not, which other criteria are to be taken into account by that EU trade mark court in determining whether it has jurisdiction to hear that claim?*
- iii. *In so far as the answer to (ii) requires that EU trade mark court to identify whether the undertaking has taken active steps in Member State B, which criteria are to be taken into account in determining whether the undertaking has taken such active steps?"*

We now await further guidance from the CJEU on the above points.

Unfair Advantage/Reputation

The General Court dismissed an appeal by *Shoe Branding Europe*⁹ that requested annulment of a decision by the EUIPO Board of Appeal which had upheld Adidas' Opposition to the registration of a position mark in respect of 'safety footwear for the protection against injury' in class 9.



⁷ [2018] EWCA Civ 86

⁸ C-230/16, 6 December 2017

⁹ *Shoe Branding Europe BVBA v EUIPO and Adidas AG* General Court Case T-85/16, 1 March 2018

Adidas AG opposed the application under Article 8(5) on the basis of their EU registration for the following figurative mark registered in respect of footwear in class 25.



The EUIPO Opposition Division rejected the Opposition which was subsequently overturned by the Board of Appeal. Shoe Branding appealed to the General Court asking for the decision to be annulled on the basis of 1) an absence of a likelihood of confusion and 2) infringement of Article 8(5). The first plea was rejected and the second was considered in two parts.

Shoe Branding did not dispute the reputation of the earlier mark, nor the Board's assessment of its distinctive character. The Court found that contrary to what the Appellant claimed, the Board *did* examine whether the use of the mark applied for risked taking unfair advantage of the repute of the earlier mark. Although the Board did not rule on the existence of detriment to the repute or distinctive character of the earlier mark, the risk of unfair advantage alone was sufficient for refusing registration under Article 8(5), as long as there was no due cause for use of the application mark.

In disputing the existence of unfair advantage and arguing that it had due cause to use the mark applied for, Shoe Branding Europe had claimed the coexistence of the marks at issue. The Court recalled that in order to constitute due cause, the use of the mark applied for must not be challenged by the proprietor of the earlier mark with a reputation. However, the present dispute was not the first between the parties; a dispute arose in Germany in 1990 and Opposition proceedings were brought in 2004 and 2010. Accordingly, the alleged co-existence could not be categorised as peaceful.

The Court reviewed the Board's global assessment of the risk of unfair advantage and considered that it was correct to conclude that because the earlier mark enjoys a high reputation and the goods are similar, the probability of unfair advantage occurring is strongly increased. Further, the importance of the commercial efforts taken by Adidas renders all the more plausible the likelihood of third parties being tempted to ride on

the coat-tails of the mark with the reputation. Taking into account all of the factors of the case and the evidence provide by Adidas, the existence of a genuine risk of free-riding had been demonstrated.

The Court rejected both of the Appellant's pleas and the request for annulment was dismissed in its entirety.

This is not an altogether surprising outcome, and one may recall that such decision was also adopted by the Court in an earlier judgment with the same parties in our 2016 review.

The CJEU has confirmed that the EUIPO has an obligation to take into consideration previous decisions if they have been relied upon as evidence in subsequent proceedings¹⁰. Where the EUIPO decides to disregard previous decisions, they must provide explicit reasons for doing so.

In February 2013, Gemma Group filed an EU application for the following figurative mark in respect of "machines for processing of wood; machines for processing aluminium; machines for treatment of PVC" in class 7.



Puma SE opposed the application, relying on their reputation under Article 8(5) and basing the opposition on the following figurative marks covering goods in classes 18, 25 and 28.



In March 2014 the EUIPO Opposition Division rejected the opposition in its entirety. It found that there was a certain degree of similarity between the marks, however, for reasons of "procedural economy" it considered that it was not necessary to examine the evidence that Puma had filed in support of its claim of reputation. The Opposition Division examined the opposition on the assumption that the earlier marks had "enhanced distinctiveness" but nevertheless concluded that the relevant public would not consider there to be a link between the marks due to the

¹⁰ EUIPO v Puma SE, C-564/16 P CJEU, 28 June 2018

differences between the goods covered by the respective marks.

Puma appealed the decision which the EUIPO Board of Appeal dismissed. The Board examined and rejected Puma's evidence of reputation. It found that even if the reputation of the earlier marks were to be regarded as proven, the opposition would fail because the requirement of the existence of unfair advantage or detriment to the earlier marks had not been satisfied.

Puma appealed to the General Court, arguing that the Board had infringed the principles of legal certainty and sound administration. The General Court made clear that the Board had an obligation to give reasons for its decisions. It also stated that, in accordance with the principles of equal treatment and sound administration, the EUIPO is required to take into account decisions already taken in respect of similar applications and to consider whether it should decide in the same way or not. Puma had relied upon three previous decisions taken in August 2010 and May 2011 in which the EUIPO had concluded that Puma's earlier marks had a reputation and were known to the public. The General Court outlined the essential content of those decisions and the evidence that Puma had submitted in those proceedings, noting that the Board had not examined or even mentioned those previous decisions and had merely stated that the EUIPO was not bound by its previous decision making practice. The General Court therefore annulled the Board's decision to reject the opposition.

The EUIPO appealed to the CJEU, which noted that the EU Regulations do not list the forms of evidence which the opponent is required to present in order to demonstrate the existence of reputation. The opponent is therefore free, in principle, to choose the form of evidence which it considers useful to submit, and nothing precludes previous EUIPO decisions determining the existence of reputation from being relied upon as evidence, where they are identified in a precise manner and their substantive content is set out in the notice of opposition, which was what had occurred in this particular case.

The CJEU confirmed that, whilst the EUIPO is not automatically bound by their previous decisions, it does not follow that the EUIPO is relieved of its obligations arising from the principles of sound administration and equal treatment. In circumstances where an opponent relies on earlier EUIPO decisions relating to the reputation of the same mark relied upon in support of its opposition, it is incumbent on the EUIPO to take into account the decisions which they have already adopted and to consider with special care whether it should decide in the same way or not. Where the EUIPO decides to take a different view from

the one adopted in those previous decisions, they should, having regard to the context in which they adopt their new decision, provide an explicit statement of their reasoning for departing from those decisions.

Further, if the Board were to reach the conclusion that it could not satisfy the obligations arising from the principle of sound administration, it would have been necessary for the Board to exercise its power to request the opponent to produce evidence for the purposes of carrying out a full examination of the opposition.

The CJEU ruled that the General Court did not err in law in finding that it was incumbent on the Board to either, provide the reasons why it had disregarded the three previous EUIPO decisions relating to the reputation of the earlier marks, or request that Puma submit supplementary evidence of the reputation of the earlier marks. The EUIPO's appeal was accordingly dismissed.

In *Kenzo Tsujimoto v EUIPO*¹¹, the Appellant, Kenzo Tsujimoto, filed two applications for International Registrations (IR) designating the EU in respect of the word mark KENZO ESTATE. The first IR sought registration for goods in class 33 and the other for goods and services in classes 29, 30, 31, 35, 41 and 43. Kenzo opposed both IRs, basing its oppositions on an earlier dated EUTM Registration for the word mark KENZO which was registered for goods in classes 3, 18 and 25, and relying on its reputation under Article 8(5) of the Regulation. The EUIPO Opposition Division rejected both oppositions and Kenzo appealed to the Board of Appeal.

The Board upheld the appeal corresponding to the opposition against the IR covering alcoholic goods in class 33, finding that the conditions required under Article 8(5) had been satisfied. In respect of the appeal corresponding to the opposition against the IR covering classes 29, 30, 31, 35, 41 and 43, the Board upheld the appeal in part. The Board considered the marks at issue to be highly similar and, contrary to the Opposition Division, found that Kenzo had established a reputation in the earlier mark.

The Board considered that it was highly likely that for the services in respect of which registration was sought in classes 35, 41 and 43, such as advertising services, retail services for liquor, educational services relating to wine and provision of food, wine and temporary accommodation, the Appellant's mark would ride on the coat-tails of the earlier mark. However, foods in classes 29 to 31 would not be regarded as luxury goods, nor would they be associated with the world of glamour or fashion. In respect of these goods the Board found that Kenzo had failed to justify why the

¹¹ Joined Cases C-85/16 P and C-86/16 P, 30 May 2018

Appellant's mark would take unfair advantage of, or be detrimental to the distinctive character or repute of the earlier mark. The Appellant sought annulment of both contested decisions at the General Court, which dismissed the appeals in their entirety.

Both cases were joined upon appeal at the CJEU. In its first plea the Appellant claimed that the General Court had erred in law in finding that the Board of Appeal had rightly found that proof of use and proof of reputation were indissociably linked, in such a way that the former could be adduced as the latter. It further submitted that the General Court wrongly took into consideration the documents lodged after the expiry of the specified period in order to prove genuine use of the mark, for the purposes of assessing reputation. The Court recalled *Rintisch v OHIM*¹² in which it was held that the Implementing Regulation expressly provides that the Board of Appeal has discretion to decide whether or not to take into account additional or supplementary facts or evidence which were not submitted within the time limits specified by the Opposition division. The CJEU confirmed that the General Court was correct when it held that it was appropriate for the Board of Appeal to take into account the evidence and stated that "only an excessive and illegitimate formalism would dictate that the proof of use could not be adduced as proof of reputation".

By its second ground of appeal the Appellant claimed that the General Court erred in law when assessing each of the conditions laid down under Article 8(5). This plea was rejected in its entirety. The specific condition of protection conferred by Article 8(5) consists of use of a sign without due cause. The CJEU confirmed that the General Court was correct to find that the Appellant had failed to establish the existence of due cause. It also confirmed that the mere fact that the term 'Kenzo', being a component of the KENZO ESTATE, corresponds to the Appellant's forename is irrelevant to the issue of whether the use of that term constitutes due cause within the meaning of Article 8(5). In weighing the different interests involved, the General Court was correct in considering that, as no due cause had been demonstrated, the Appellant as a result wanted to take unfair advantage of the reputation of the KENZO trade mark.

Designations of Origin and Geographical Indications

In the past 12 months, the CJEU has heard two cases of note in relation to Protected Designations of Origin (PDOs) and Protected Geographical Indications (PGIs).

Comité Interprofessionnel du Vin de Champagne ("CIVC" - the trade association which represents

the interests of various Champagne producers and houses), brought proceedings in Germany against Aldi concerning its use of the PDO 'Champagne' in the name of a frozen product – 'Champagner Sorbet'. The product, distributed under the name 'Champagner Sorbet', contained among its ingredients – 12% Champagne.

The CIVC considered that use of this name constituted an infringement of the PDO 'Champagne' and sought an injunction to prohibit Aldi from using that name on the frozen goods market. The application was granted by the First Instance Court but then reversed on appeal at the Regional Court. CIVC appealed to the Bundesgerichtshof (Federal Court of Justice, Germany), which referred a number of questions to the CJEU¹³.

In answering the first question, the CJEU confirmed that the relevant EU legislation (Article 118m(2)(a) (ii) of Regulation No 1234/2007 and Article 103(2)(a) (ii) of Regulation No 1308/2013) was intended to be particularly broad in its scope of protection and thus covered any direct or indirect commercial use of a PDO or PGI. In essence, the relevant Regulations cover both comparable products and products which are not comparable (insofar as that use exploits the reputation of the PDO or PGI). Therefore, in this case, the relevant provisions were confirmed as covering a situation where a PDO (Champagne) was used as part of the name of under which a foodstuff was sold (Champagner Sorbet) but where that particular foodstuff (frozen sorbet) does not correspond to the product specifications for that PDO but contains an *ingredient* which does correspond to those specifications.

The second question sought to clarify whether these provisions were to be interpreted as meaning that use of a PDO in a product name such as Champagner Sorbet (i.e. where the foodstuff does not correspond to the product specifications for that PDO but contains an ingredient that does correspond to those specifications) constitutes *exploitation of the reputation* of the PDO, where the name of the foodstuff corresponds to the name by which the relevant public usually refers to that foodstuff and the ingredient has been added in sufficient quantity to confer on the foodstuff one of its essential characteristics. It was noted that the name 'Champagner Sorbet' was likely to *extend* to that product the reputation of the PDO Champagne, which conveys an image of luxury and prestige, and therefore to take advantage of that reputation. The real question was whether such use constituted a means of *exploiting/taking unfair advantage* of the reputation of that PDO.

¹² T-152/09, 16 December 2011

¹³ *Comité Interprofessionnel du Vin de Champagne v Aldi Süd Dienstleistungs-GmbH & Co. OHG*, Case C-393/16, 20 December 2017

The Court concluded that use of a PDO as part of a product name such as in the present case would be intended to take unfair advantage of the reputation of the PDO if that ingredient does not confer onto that foodstuff one of its essential characteristics. In determining whether the ingredient in question does confer on the foodstuff one of its essential characteristics, the quantity of that ingredient in the overall composition is a significant but not, in itself, sufficient factor. The European Commission's Guidelines regarding the use of PDOs in trade names of foodstuffs makes it clear that it could not suggest a minimum percentage to be uniformly applied. This had to be done by way of a qualitative assessment. The foodstuff in question had to be assessed to see whether it has an essential characteristic connected with that ingredient – that characteristic will often be the aroma or taste imparted by that ingredient. If the taste of the foodstuff is more attributable to other ingredients it contains, the use of such a name will take unfair advantage of the reputation of the PDO concerned. The CJEU noted that it was for the National Court to determine in light of the evidence before it whether the taste of the product was attributable primarily to the presence of Champagne in the composition of that product. If it was not, then the use of the name Champagner Sorbet would constitute exploitation of the reputation of the PDO.

The third question sought to establish whether use as in the present case constitutes “misuse, imitation or evocation” within the meaning of Article 118m(2) (b) of Regulation No 1234/2007 and Article 103(2) (b) of Regulation No 1308/2013. The Court did not believe use such as that in the main proceedings (i.e. incorporating the name of the PDO in its entirety (Champagne) into the name Champagner Sorbet) constituted misuse, imitation or evocation and noted that, *“by incorporating in the name of the foodstuff in question the name of the ingredient protected by a PDO, direct use is made of the PDO to claim openly a gustatory quality connected with it, which does not amount to misuse, imitation or evocation.”*

Lastly, the Court considered the fourth and final question of whether Article 118m(2)(c) of Regulation No 1234/2007 and Article 103(2)(c) of Regulation No 1308/2013 are only applicable to false and misleading indications as to *geographical origin* of the product concerned, or also to false and misleading indications as to the nature or essential qualities of the product. The CJEU answered this question in the affirmative – the Regulations should be interpreted as applying to both the geographical origin and the *nature or essential qualities* – if the taste of Champagner Sorbet was not a taste attributable to the presence of Champagne, then this use may be considered a false or misleading indication.

This case demonstrates that the Court has to undertake a qualitative assessment to determine whether use of a PDO in a product name is likely to constitute an exploitation of the reputation of the PDO; a misuse, imitation or evocation of the PDO; or a false or misleading indication. Whilst the amount of the ingredient in the foodstuff is a relevant factor, it is not the only factor and there is no minimum percentage prescribed in the guidelines or as a result of this case. If the food product has as one of its essential characteristics, a taste attributable primarily to the presence of that ingredient – then it is unlikely use of the PDO in the product name will fall foul of the relevant legislation. The relevant test is essentially one of taste!

The Court had to consider a case brought by the Scotch Whisky Association (“the SWA”) involving use of the name Glen Buchenbach in relation to a whisky produced in Germany¹⁴.

Mr Klotz markets, via a website, a whisky under the designation ‘Glen Buchenbach’, which is produced by the Waldhorn distillery in Berglen, located in the Buchenbach valley in Swabia (Germany). The label on the whisky bottles in question includes, in addition to a stylised depiction of a hunting horn (Waldhorn in German), the following information: ‘Waldhornbrennerei’ (Waldhorn distillery), ‘Glen Buchenbach’, ‘Swabian Single Malt Whisky’, ‘500 ml’, ‘40% vol’, ‘Deutsches Erzeugnis’ (German product), ‘Hergestellt in den Berglen’ (produced in the Berglen). The Defendant claimed that the name constitutes a play on words, consisting of the name of the place of origin of the drink at issue in the main proceedings (Berglen) and the name of a local river (‘Buchenbach’).

The SWA sought an order from the Regional Court of Hamburg that Mr Klotz cease to market that whisky which is not a Scotch Whisky under the designation ‘Glen Buchenbach’. The SWA claimed that use of the name infringed Articles 16(a) to (c) of Regulation 110/2018, which protects geographical indications of spirit drinks, of which Scotch Whisky is one. The SWA argued that these provisions cover not only use of the protected indication, but also *any reference* that suggests the geographical origin of that indication. They further argued that the designation ‘Glen’ is very widely used in Scotland instead of the word ‘valley’ and in particular is commonly used as an element of the name of many Scotch Whiskies, and as such it evokes in the relevant public an association with Scotland and Scotch Whisky. The somewhat novel element of this case was that the indication complained of, *Glen Buchenbach*, did not use any part of the PGI, Scotch Whisky. This raised some interesting questions regarding the scope of protection afforded to PGIs under the Regulation.

¹⁴ *Scotch Whisky Association v Michael Klotz*, Case C-44/17, 7 June 2018

The Regional Court of Hamburg referred a number of questions to the CJEU regarding the correct interpretation of Articles 16(a) (regarding “indirect commercial use”), (b) (regarding “evocation”) and (c) (regarding “any other false or misleading indication”) of the Regulation.

In clarifying the scope of Article 16(a), the Court noted that the only difference between “direct” and “indirect” commercial use is merely that direct use would happen when the disputed element was affixed directly to the product concerned or its packaging, whereas indirect use requires the indication to feature in supplementary marketing or information sources, such as an advertisement for that product or documents relating to it. Whilst the SWA tried to argue that this was an instance of “indirect commercial use”, the Court clarified that for the use to infringe this subsection, the disputed element must be used in a form that is either identical to that indication or is phonetically and/or visually similar to it. Accordingly, it is not sufficient that the element complained of is liable to evoke in the relevant public some kind of association with the indication concerned or the geographical area relating thereto. The Court noted that Article 16(b) would be devoid of practical effect if Article 16(a) were afforded the broader interpretation suggested by the SWA.

In analysing the concept of “evocation” as set out in Article 16(b), the Court stated that (in contrast to Article 16(a)), that phonetic and visual similarity between the disputed element and the PGI was *not* an essential condition in establishing evocation. It was one of the factors to be taken into account but it was feasible that there could be evocation even in the absence of such similarity. The correct test to apply in this instance was whether, when the average European consumer who is reasonably well informed and reasonably observant and circumspect is confronted with the disputed designation, the image triggered directly in his mind is that of the product whose geographical indication is protected. In so doing, the National Court can consider whether there is partial incorporation of the PGI, any phonetic or visual similarity or any “conceptual proximity” between the designation and the indication. With regards to whether the context of use should be taken into account, it was apparent from the wording of the provision that there may be evocation even if the true origin of the product is indicated elsewhere. Therefore, account is not to be taken either of the context surrounding the disputed element or the fact that the element is accompanied by an indication of the true origin of the product concerned.

Finally, as regards the “false or misleading indications” under Article 16(c), the Court noted that Article 16

contains a graduated list of prohibited conduct. To this end, Article 16(c) must be distinguished from points (a) and (b). Subsection (c) was intended to widen the scope of protection to include “any other...indication”. This subsection therefore affords extensive protection to PGIs. With respect to whether the context of use should be taken into account under this subsection, this question was answered in the negative. The purpose of this provision would be jeopardised if the protection of PGIs could be restricted by the fact that additional information is included alongside an indication which is false or misleading. A misleading indication should not be permitted simply because it exists in conjunction with information regarding the true origin of the product – to do so would deprive Article 16(c) of practical effect.

It is now for the District Court of Hamburg to apply the CJEU’s guidance to the facts of this case. This ruling leaves open the possibility for there to be infringement of a PGI, even where the disputed element does not include, or bears no similarity to, the registered geographical indication. The German court’s decision is likely to be of significant interest to owners of PGIs across Europe, who already enjoy broad protection by virtue of the Regulation.

The General Court also considered another PDO case involving alcoholic beverages.

The GC rejected an application for a declaration of invalidity filed on the basis that the following EU trade mark registration (covering Class 33: ‘wines with a registered designation of origin; vin de pays’) evoked the PDO, Cava:



This decision¹⁵ affirmed the decisions of both the Cancellation Division and the Fourth Board of Appeal, which both rejected the Cava Regulatory Board’s application for a declaration of invalidity under Article 7(1)(j) of Regulation No 207/2009 (now Article 7(1)(j) of Regulation 2017/1001) and Article 52(1)(a) of that regulation (now Article 59(1)(a) of Regulation 2017/1001).

The Cava Regulatory Board appealed the Board of Appeal’s decision to the General Court, claiming

¹⁵ Consejo Regulador del Cava V EUIPO - Cave de Tain L’Hermitage, union des propriétaires, Case T-774/16, 12 July 2018

that the Board of Appeal did not correctly apply the concept of 'evocation'. The plea fell under two parts – namely (i) a failure to take account of the essential function of a PDO and (ii) incorrect application of the case law relating to the global assessment of the existence of an 'evocation'.

The Applicant tried to argue that the Board of Appeal failed to take into account the existence of specific qualities or characteristics that consumers associate with the products protected by the PDO 'CAVA', even when they do not identify the geographical origin of those products. This was contested by both the EUIPO and the Intervener; furthermore the Applicant failed to explain how this apparent omission was committed or how this resulted in an erroneous decision. In any event, the General Court held that the Board of Appeal did afford the PDO with a content in conformity with the legislation.

With regard to the essential function of a PDO, the General Court followed previous rulings in stating that the 'essential function' of the geographical indication was 'to guarantee to consumers the geographical origin of goods and the special qualities inherent to them'. It follows that the specific qualities and characteristics associated with the protected products are inevitably and inseparably linked to a specific geographical origin. It was held that the Board of Appeal did not disregard the essential function of a PDO in the contested decision.

With respect to the concept of evocation, it was necessary to assess to what extent the contested mark used for designating 'wines with a registered designation of origin' and 'vin de pays' is capable of evoking the PDO 'CAVA' in the mind of the average European consumer, having regard to the similarities, if any, between the signs at issue, visually, phonetically and conceptually.

The General Court concurred with the Board of Appeal that the signs at issue had a low degree of visual and phonetic similarity. With respect to conceptual similarity, the Applicant submitted that a trade mark may evoke a PDO when the image triggered in the mind of consumers is that of the product protected by that PDO, regardless of the degree of visual or phonetic similarity between the signs at issue. The Board of Appeal was found to have conducted the correct global assessment as to whether there was evocation in this case. The Board considered that the element 'cave de tain' would be understood by the average consumer in the European Union, as referring to a wine cellar situated in Tain l'Hermitage in France, with no link being made to the PDO 'CAVA' and therefore with no evocation of that PDO. This was held to be the case, regardless of the linguistic capability

of the average wine consumer in the EU. In those circumstances, the Board of Appeal was fully entitled to consider, following a global assessment, that the differences between the signs at issue precluded any possibility of evocation of the PDO 'CAVA' by the contested mark.

The Cava Regulatory Board also tried to argue that the Board of Appeal had failed to attach an image to the product protected by the PDO. The General Court also rejected this argument and found that the Board correctly identified the PDO CAVA as one used to describe a sparkling wine produced in various provinces in Spain. The Board of Appeal then went on to find that the contested mark would not be understood as referring to the PDO CAVA, since it included, in its title, the word 'cave', which is frequently used in French in the wine sector to designate a wine cellar. All of the Board of Appeal's conclusions in this regard were endorsed by the General Court.

Finally, the Applicant tried to argue that as the goods were partially identical, this made evocation possible. However, the General Court reiterated its earlier comments that the visual and phonetic differences between the signs in this case were such that any evocation was precluded. It found it appropriate to confirm the assessment made by the Board of Appeal that, because of its structure, the contested mark will be understood by the consumer, regardless of his or her language skills, as referring to a wine produced in France, in the region or town whose name appears in that mark, irrespective of whether this wine is sparkling or not, and the association thus made by the consumer between the product and its French origin precludes any possibility of evocation of the PDO 'CAVA'. The appeal was consequently dismissed.

Whilst the protection granted to PDOs and PGIs in the EU is generally considered to be broad, this case serves as a reminder that there needs to be some similarity between the mark complained of and the PDO, either visually or phonetically or in a conceptual or other way in order to successfully establish a case on evocation. Without one of these elements, an opposition, invalidity action or infringement action based on this ground is likely to fail.

Validity

In our 2016 and 2017 editions, we reported on *Sky v Skykick* and the Defendant's application regarding the 'own name' defence.

The main trial returned to the High Court at the start of 2018¹⁶, with Sky claiming for passing off and the infringement of its EU and UK trade marks (comprising

¹⁶ *Sky Plc & Ors v Skykick UK Limited & Ors*, [2018] EWHC 155 (Ch), 6 February 2018

the word SKY) against the Defendant's use of SKYKICK for its computer software business.

SkyKick counterclaimed that Sky's trade marks were either wholly or partly invalid on two separate grounds: firstly, that they had been registered in bad faith (see our commentary on Bad Faith below); and secondly, that they were neither clear nor precise.

Regarding the second limb of the counterclaim, SkyKick argued invalidity on the basis that the specification of "computer software" was so impossibly wide that it could not satisfy the test set out in *IP Translator*. This requires that trade mark specifications must be sufficiently clear and precise to allow the competent authorities and third parties to determine the scope of protection conferred by the mark and that the competent office should refuse to register the application without sufficient amendments being made.

In Arnold J's view, this raised two issues. Firstly, whether a lack of clarity and precision of specification can be used as a ground for invalidity against a trade mark and secondly, whether the specifications in this particular instance were lacking in clarity and precision.

On the first point, Arnold J considered that it did not necessarily follow that if an applicant fails to specify the goods and services with sufficient clarity and precision (and that the competent office fails to ensure that this is rectified during examination) the trade mark should be declared invalid after registration. In this regard, it was noted that whilst the *IP Translator* 'clear and precise' requirement is now included in the EUTMR under conditions for filing applications (Article 33(2)), there is no such explicit reference to it in Articles 52(1)(a), 7(1)(a) and 4, which together set out the absolute grounds on which a mark can be invalidated.

Whilst Sky accepted that this question would likely have to be referred to the CJEU at some point they countered that it was not necessary to do so in this case because, in their view, their trade mark specifications were not lacking in clarity and precision.

On this second issue, Arnold J agreed with SkyKick that the term "computer software" was too broad and that there may be public policy reasons to prevent such an excessively wide monopoly. However, he considered that it did not necessarily follow that the term was lacking in 'clarity and precision'.

Two questions were therefore referred to the CJEU as follows¹⁷:

1. Can an EU trade mark or a national trade mark registered in a Member State be declared

wholly or partially invalid on the ground that some or all of the terms in the specification of goods and services are lacking in sufficient clarity and precision to enable the competent authorities and third parties to determine on the basis of those terms alone the extent of the protection conferred by the trade mark?

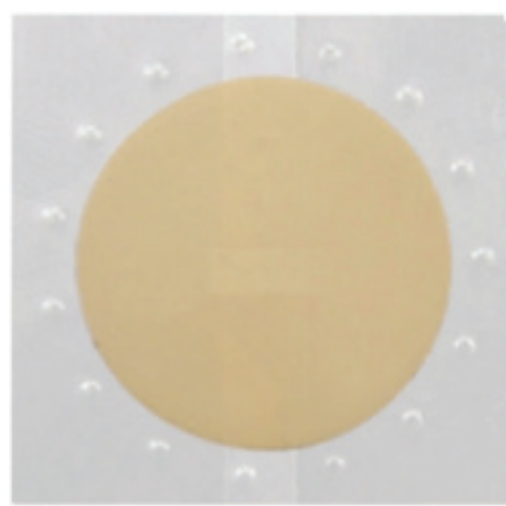
2. If the answer to question (1) is yes, is a term such as 'computer software' too general and does it cover goods which are too variable to be compatible with the trade mark's function as an indication of origin for that term to be sufficiently clear and precise to enable the competent authorities and third parties to determine on the basis of that term alone the extent of the protection conferred by the trade mark.

Whilst Arnold J dismissed the passing off claim, it was held that if Sky's trade marks were validly registered for the goods relied on, SkyKick had infringed them. The parties will therefore have to wait for the CJEU's response to discover the outcome.

Invalidity

The continuing struggle between pharmaceutical companies and their generic manufacturer competitors was apparent in *Novartis v EUIPO (and intervenor SK Chemicals GmbH)*¹⁸ wherein Novartis failed to use trade mark law to prolong the protection of their interests in a transdermal patch.

Novartis had obtained an EU registration in 2013 for a mark consisting of a representation of their Exolon drug product used to treat Alzheimer's disease and administered via a transdermal patch. The active ingredient in the patch is rivastigmine.



¹⁷ These are the amended versions of the questions to the CJEU, which were confirmed by Arnold J in a later judgment (*Sky v SkyKick UK Ltd (No.2)* [2018] EWHC 943 (Ch)) following an application by Sky asking the court to reconsider some of its conclusions in the main judgment and to amplify the reasons on which the conclusions were based. They also sought permission to appeal, a stay of proceedings pending an application to the Court of Appeal for permission, and an extension of time in which to appeal. All of these were rejected, as was the application to the Court of Appeal for permission to appeal.

¹⁸ T-44/16, General Court, 31 January 2018

The sign was registered in respect of class 5 “Pharmaceutical preparations for the treatment of dementia of the Alzheimer’s type.”. Exolon was also the subject of a Novartis patent, which expired in 2012.

SK Chemicals is a generic pharmaceutical manufacturer who made a transdermal patch with the same active ingredient as Exolon. SK applied to invalidate Novartis’ trade mark registration.

The invalidity action was successful at both the Cancellation Division and EUIPO Board of Appeal level and the trade mark was held to be invalid as it was composed of a sign consisting exclusively of the shape of a product necessary to obtain a technical result, as per Article 7(1)(e)(ii). Novartis appealed.

The Cancellation Division had found the following:

- the essential characteristics of the mark are (i) the square shape of the patch (ii) the overlapping protective plastic layer, (iii) circular central area and (iv) and the arrangement of ‘knobs’ around the central circle.
- those essential characteristics are all identified as functional.
- the beige colour is not an essential characteristic.

Novartis challenged the decision at the General Court arguing infringement of Article 7(1)(e)(ii) as follows:

- Misinterpretation of the word ‘exclusively’
- In the alternative, the Board of Appeal should have carried out an overall assessment of the mark and had failed to do so;
- Misinterpretation of the word ‘necessary’
- The Board of Appeal found incorrectly that each of the four essential characteristics had a technical function and failed to carry out its own analysis
- The Board of Appeal had incorrectly found that the beige colour was not an essential characteristic

The General Court found:

- Necessity does not mean that the shape at issue must be the only one capable of obtaining the technical result. Registration of a purely functional product shape may prevent

other undertakings from not only using the same shape, but also similar shapes, thereby other alternative shapes would potentially become unusable.

- Novartis’ argument that as each essential characteristic served a different technical function, the sign was registrable, was dismissed. The Court found that as each characteristic served any technical function, this was sufficient provided that they together achieved the technical result.
- Novartis tried to argue that technical function could not be deduced from examination of the mark itself but only on examination of the actual product and therefore the analysis was flawed. The Court agreed with the EUIPO and Board of Appeal, finding that the competent authority (when dealing with invalidity) can carry out a detailed examination not only of the graphic representation of the mark and any descriptions, but also any material relevant to identifying the essential characteristics.
- Finally, Novartis’ argument that the colour beige was an essential characteristic was rejected. The presence of one or more minor arbitrary elements in a sign where all of the essential characteristics are dictated by technical result cannot take the mark over the line and render it registrable.

A complex case arose involving a number of trade mark issues in *W3 Ltd v easyGroup Ltd & Anor*¹⁹, primarily whether the sign “EasyRoommate” owned by the Claimant, W3, infringed any of the easyGroup’s EU trade marks. It also included claims as to groundless threats, passing off and the validity and cancellation of both parties trade marks.

The parties had been arguing over their respective EASY trade marks for many years. W3 had been using EASYROOMMATE and other EASY variants since around 1999. The easyGroup founded in 1998 and had used a variety of different EASY prefixed signs, most notably the easyJet airline. The airline first started operating in 1995 and from the start, used a distinctive orange livery. In evidence, easyGroup claimed that it had been their founder’s intention from the start to emulate the Virgin brand model and create a family of EASY prefixed brands. Following continuing challenge from easyGroup, W3 issued proceedings against easyGroup for groundless threats and the invalidity of their EASY trade marks in respect of temporary accommodation and advertising. The invalidity challenge was made on the grounds that the signs were

¹⁹ [2018] EWHC 7 (Ch), 12 January 2018

descriptive (Article 7(1)(c)). easyGroup counterclaimed for trade mark infringement and passing off. In terms of the invalidity on the grounds of descriptiveness, W3 were successful, the Court finding that the "EASY" trade mark was invalid. It was found that EASY denotes a quality or characteristic of the services, i.e. they are easy to purchase or use. W3 argued that it was precisely the sort of word which should be free for other traders to use and which the Regulation is intended to prevent being registered. W3 adduced evidence that other traders were in fact using EASY names in 2000 and in the period since then as part of their trading identities. In particular, W3 included examples of accommodation related services being offered under EASY prefixed names. Although there was a claim as to acquired distinctiveness by easyGroup, it was found that although the family of EASY trade marks may have acquired distinctiveness in Member States where English is spoken or commonly used, i.e. those Member States where the marks were descriptive, the threshold for distinctiveness was very high and the word "EASY" had not been shown as having acquired distinctiveness in its own right. Use in a family of marks with identical prefixes was not sufficient. EasyGroup had also countered by challenging the validity of W3's EASYROOMMATE mark. Their attack was not 100% successful but they did manage to have the registration narrowed in scope.

What becomes clear from this judgment is that where a brand is based around a common descriptive element and a family of marks exists which contain this element together with other matter, the threshold for protecting the descriptive element alone will be very high.

There were many other strands to this case which are not being dealt with under this section but one final quick point worthy of mention is the failure of the acquiescence defence claimed by W3. It was held that the correspondence between the parties over the years had been sufficient to stop the clock on the acquiescence defence and in principle therefore, potential Claimants should send their Cease and Desist letters as early as they can to prevent owners of later marks from relying on the acquiescence defence.

Bad Faith

Returning to the case of *Sky v Skykick*, as part of its counterclaim the Defendant ran the argument that Sky's trade marks were invalid on the basis that they had been registered in bad faith, which has resulted in references to the CJEU.

Skykick argued that Sky intended to use the trade marks in relation to *some* but not *all* of the goods and

services specified, and that the trade marks were therefore invalid in their entirety. In doing so, Skykick pointed to the excessive breadth of Sky's trade mark specifications, which included "computer software" and all the goods in the relevant classes such as class 9. Additionally, Sky's witness on cross-examination was unable to provide any commercial rationale for registering specific goods such as "bleaching preparations" and "insulation materials", with Arnold J concluding from the evidence that Sky did not have a *bona fide* intention to use the trade marks in relation to *all* of the goods and services covered by the specifications.

Sky's response was that the act of applying for trade marks without any intention to use them could not constitute bad faith, and even if it did, it could not result in total (as opposed to partial) invalidity.

Arnold J therefore went on to consider EU and domestic jurisprudence on bad faith in some detail, noting that whilst none of the case law had gone as far as to hold that a mere intention not to use a trade mark could amount to bad faith, it *could* in certain circumstances. However, it was acknowledged that in all of the cases where there was no intention to use and bad faith was established, there was some other relevant factor which gave rise to a finding of bad faith (for example, an intent to prevent a third party from using the mark). The judge further noted that merely demonstrating that an applicant only had a contingent intention to use the trade mark in relation to certain goods or services in future is not sufficient to demonstrate bad faith.

Turning to the question of whether a finding of bad faith in relation to *some* but not *all* of the goods covered resulted in total or only partial invalidity (i.e. only in respect of those goods for which the applicant did not have an intent to use), Arnold J concluded that the "*better view*" was that the trade mark could be held partly invalid, but that the matter was not *acte clair*.

Owing to the lack of certainty provided by existing case law on these points, the following question were referred to the CJEU:

1. Can it constitute bad faith simply to apply to register a trade mark without any intention to use it in relation to the specified goods and services?
2. If the answer to this question is yes, is it possible to conclude that the applicant made the application partly in good faith and partly in bad faith if and to the extent that the applicant had an intention to use the trade mark in relation to some of the specified goods or

services, but no intention to use the trade mark in relation to other specified goods or services?

3. Is Section 32(3) of the Trade Marks Act 1994 (which requires a declaration of intention to use a trade mark to be made on application) compatible with the Council Directive 2015/2436/EU and its predecessors?

In a later judgment in April following a challenge to the decision by Sky²⁰, Arnold J expanded on some of the reasoning of his earlier judgment, opining that it was “*arguable (although not the better view) that bad faith is different to other grounds of objection in that the existence of bad faith in relation to any goods or services taints the entire application and any resulting registration.*” He also considered that it remained “*arguable that the bad faith objection encompasses lack of intention to use the trade mark (as well as other things).*”

The CJEU’s answers to the questions set out above may have significant implications for existing trade mark registrations (particularly those with overly wide specifications), and are also likely to be instructive in relation to the breadth of specifications in future applications made by brand owners.

Following *SkyKick*, the Defendants in *FIL v Fidelis*²¹ similarly argued for the invalidity of the Claimants’ marks on the same bad faith grounds as set out above. Although Arnold J found no infringement in this case, the decision as regards bad faith and the validity of its trade marks remains significant to the Claimant. Whilst the judge’s preliminary view was that the Claimants were unlikely to have acted in bad faith in this instance, the judge stated that the uncertain state of law meant that the issue would have to await the responses from the CJEU in *SkyKick*.

In addition, Fidelis raised the further argument that the claimant had acted in bad faith by re-filing trade mark application at five-yearly intervals, so as to avoid total or partial revocation of earlier trade marks for reasons of non-use. Whilst *Pelicantravel.com v OHIM*²² confirmed that this could be grounds for bad faith, in this case Arnold J held that FIL was unlikely to have acted in bad faith, since its trade mark filings covered different services (albeit with some overlap) and a different territorial scope.

Genuine Use

The General Court provided guidance of what constitutes genuine use of an EUTM in *Sipra World SL v European Union Intellectual Property Office (EUIPO)*²³.

A revocation application for non-use in relation to all goods for which the DOLFINA mark was registered (in the name of Profit Good Ltd) was initially successful. Sipra World filed an application for registration of the transfer of the DOLFINA mark in its name as well as an application for *restitutio in integrum* whereby it requested that its rights to challenge the application for revocation be re-established and added documents for the purpose of establishing genuine use of the DOLFINA mark.

The Cancellation Division granted the application for *restitutio in integrum*, confirmed that the first decision would not produce any effects and that the documents submitted by Sipra World, the proprietor, would be taken into account. The Cancellation Division extended the period within which the proprietor could submit further evidence of use and additional materials were submitted.

The Cancellation Division partially upheld the revocation application by revoking the DOLFINA mark in respect of all goods covered with the exception of “*T-shirts and caps*” in class 25. The decision was appealed by the applicant for revocation and the Board of Appeal upheld the appeal, as the documents filed by the proprietor did not establish genuine use of the mark. The Proprietor appealed to the General Court which also dismissed the appeal.

The General Court reiterated settled case law concerning genuine use of a mark. The General Court held there is genuine use of a trade mark if said mark is used in accordance with its essential function, which is to guarantee the identity of the origin of the goods and services for which is registered, in order to create or preserve an outlet for those goods and services. The mark as protected in the relevant territory must also be used publicly and outwardly. The General Court also confirmed that the use of the mark does not need to be quantitatively significant in order to be deemed genuine. However, the smaller the commercial volume of the use of the mark, the more necessary it is for the proprietor to produce additional evidence to dispel any doubts as to the genuineness of its use.

The General Court confirmed the Board of Appeal’s view that sufficient extent of use of the DOLFINA mark had not been demonstrated by the proprietor. In coming to this conclusion, the General Court noted that it was not possible to ascertain, either from the photographs themselves or from the other pieces of evidence submitted by the proprietor, that those photographs were taken in the European Union during the relevant period.

The General Court also held that the gifting of

²⁰ *Sky Plc & Ors v Skykick UK Limited & Ors* [2018] EWHC 943 (Ch)

²¹ [2018] EWHC 1097 (Pat), 11 May 2018

²² *Pelicantravel.com sro v OHIM*, Case T-136/11, 13 December 2012

²³ Case T-882/16, 7 June 2018

clothing described in the sworn statement, filed by the proprietor, did not constitute use per se of the DOLFINA mark given that a mark is not regarded as being put to genuine use where it is affixed to promotional items that are handed out as a reward for the purchase of other goods and to encourage sales of the latter.

A licence agreement submitted by the proprietor was not sufficient to demonstrate that the use of the mark was genuine, since the existence of such an agreement did not in itself establish actual use of the DOLFINA mark on the market.

Invoices were also filed by the proprietor, but it proved impossible to determine whether the “*T-shirts and caps*” were among the goods marketed under the licence agreement or what share of the sales they accounted for. Also, for some of them, the General Court noted that although the recipients addresses were situated in the European Union, their names had been redacted. Therefore, the judges considered that it could not be ruled out that these invoices demonstrated no more than purely internal use of the DOLFINA mark. The General Court also confirmed that it cannot be deduced merely from the quantity of clothing sold that the addresses of the invoices were external to the undertaking that owned the DOLFINA mark. Therefore, these invoices could not prove that the mark was used publicly and outwardly. Finally, the Proprietor had not submitted any evidence relating to the distribution of the catalogues. The General Court confirmed the Board of Appeal’s view that such catalogues alone cannot establish use of the DOLFINA mark.

Accordingly, the Court confirmed the Board of Appeal’s conclusion that the proprietor had failed to demonstrate effective and sufficient use of the mark during the relevant period for the purposes of establishing that the mark had been put to genuine use. The Appeal was dismissed in its entirety.

In *Hochmann Marketing GmbH v European Union Intellectual Property Office [EUIPO]*²⁴, evidence of use was required in order to defend a revocation action and the General Court discussed the late filing of this evidence of use by the Proprietor.

An application was filed to revoke the European Union trade mark for BITTORRENT owned by the Proprietor on the grounds of non-use.

The Proprietor had three months within which to submit evidence of use of its mark. Following a request from the Proprietor, the EUIPO extended the time limit for submitting its evidence of use by one month.

On the very last day, the Proprietor’s representatives transmitted a five-page letter by fax, referring to attached documents, which however were not attached to the fax. The Proprietor’s representatives explained, two days later, that there was a fax issue on the deadline as the fax machine continually reported errors. Three days later, the EUIPO received by post the evidence of use referred to in the five-page letter sent by fax on the deadline.

The Cancellation Division upheld the application for revocation and the Board of Appeal confirmed that the Proprietor had submitted no relevant proof of use within the time limit specified.

The Proprietor appealed this decision to the General Court, arguing that the Board of Appeal should have taken into consideration the late submission of the evidence. The General Court confirmed the main principle which is the EUIPO is to invite the Proprietor of the EU trade mark to furnish proof of genuine use of the mark within a period as it may specify. If the proof of use of the mark is not provided within the time limit set by the EUIPO, the mark must be revoked.

The General Court noted that only the five-page letter sent by fax was produced by the Proprietor before the Cancellation Division within the period specified by the Office.

This letter clearly included a list of evidence to prove genuine use of the mark but contained only statements that were not substantiated by any supporting evidence capable of adducing proof of the place, time, extent and nature of use of the mark, especially because the evidence of use was submitted three days after the prescribed period expired. The General Court confirmed the Board of Appeal’s view that no proof was furnished in due time before the Cancellation Division and that the late submission of the supporting documents at issue was due to the Proprietor only.

The General Court also confirmed that it is for the Proprietor to establish genuine use of the mark by submitting evidence before the EUIPO. It flows from this principle that the Proprietor cannot rely on the items submitted by the Applicant for revocation. Likewise, in the assessment of the genuine use of an EU trade mark, the decision of a National Court concerning the genuine use of a national trade mark can neither bind the EUIPO nor replace the EUIPO’s assessment of the evidence, and that is the case even if that national trade mark is identical to the EU trade mark. The Proprietor could not rely on a German Court decision concerning the genuine use of a national mark identical to the EU trade mark at issue.

²⁴ Case T-771/15, 12 December 2017

The General Court upheld the Board of Appeal's finding that since no proof of use of the mark was filed before the Cancellation Division within the prescribed period and since the evidence filed at the appeal stage was not by way of complement to the evidence produced within that period, the Proprietor could not argue that the evidence submitted before the Board of Appeal was additional evidence which should have been taken in account.

The General Court was of the view that this decision, to disregard the evidence produced late, was not punitive in nature. The Proprietor could have requested the continuation of proceedings in accordance with Article 82 of Regulation No 207/2009 or filed a request for *restitutio in integrum* under Article 81 of that Regulation.

Accordingly, the Court confirmed the Board of Appeal's decision and dismissed the appeal in its entirety.

The Proprietor appealed this decision before the Court of Justice. This appeal was dismissed in its entirety as being, in part, manifestly inadmissible and, in part, manifestly unfounded²⁵.

The Proprietor notably challenged the fact that the General Court held that, in light of all the circumstances and, especially, the four months and two days it had to submit proof of genuine use of its mark, the Proprietor could have taken reasonable steps to guard against the risk of failing to comply with the time limit set by EUIPO that may have been caused by the transmission of a large amount of supporting documents. The Court of Justice considered that this assessment was not vitiated by any error because there was no obvious reason why a prudent Proprietor of a trade mark would have been forced to expose himself to the risk of a late transmission.

The Court of Justice confirmed the General Court's finding and dismissed the appeal.

Use of marks in exclusive licences

Guidance concerning the interpretation of an IP exclusive licence agreement was provided in *Holland and Barrett International Ltd and another v General Nutrition Investment Company*²⁶. More particularly, this decision dealt with the effect of termination of an exclusive licence for auxiliary marks which were not in use.

General Nutrition Investment Co granted to Holland & Barrett a licence for the main mark GNC and some auxiliary marks such as GNC HERBAL PLUS. Holland and Barrett did not use five of the auxiliary marks for a

period of five years so General Nutrition Investment Co claimed to be able to terminate the licence for these marks and would be entitled to use them. However, Holland and Barrett argued that such use would be a breach of the exclusive licence in place to the GNC main mark.

The Court of Appeal held that the High Court erred in deciding that, as the auxiliary marks had not been used by Holland and Barrett for a five-year period, under a clause contained in the licence, General Nutrition Investment Co had the right to terminate the licence for those auxiliary marks and could use these marks despite the exclusivity of the licence in relation to the GNC main mark.

The Court of Appeal held that this reasoning was wrong as it treated marks with overlapping scope as if they were distinct and failed to consider an essential term of the contract, namely, a clause granting an exclusive licence, in which the licensor had agreed not to use confusingly similar marks, such as the auxiliary marks.

Infringement

The UK Courts have seen a number of interesting trade mark infringement cases this year.

The first case worth highlighting is a dispute between Frank Industries, an Australian company that designs and sells women's sportswear, and Nike, the global sportswear powerhouse. Frank Industries owns UK and EU marks for 'LNDR' covering both clothing and sportswear, which have been in use and registered since 2015.

In January 2018, Nike launched an advertising campaign using the slogan "*Nothing Beats A LDNR*", which was intended to target Londoners. The campaign included a video which was shown on YouTube, on television and in cinemas. In February 2018, Frank Industries issued proceedings for infringement of its trade marks for LNDR and sought an interim injunction against Nike. This interim injunction was granted by the High Court in March, although its terms were narrowed by the Court of Appeal in *Frank Industries PTY Ltd v Nike Retail BV and others*²⁷ who found that compelling Nike to delete certain posts and threads from Instagram, Twitter and YouTube could cause irreversible consequences not remedied by damages (as it would not be possible to recover all the comments and interactions by consumers if Nike were found at trial not to infringe). Instead, the Court of Appeal ordered that Nike's Instagram posts could be archived (rather than deleted), Nike could respond to queries arising out of existing tweets but not tweet any

²⁵ Case C-118/18 P, 28 June 2018

²⁶ [2018] EWCA Civ 1586, 4 July 2018

²⁷ [2018] EWCA Civ 497, 13 March 2018

further using the offending LDNR sign and its YouTube video could remain online but with LDNR blurred or pixelated.

The case came to full trial in July 2018 in *Frank Industries PTY Ltd v Nike Retail BV and others*²⁸, with the IPEC finding Frank Industries' LDNR marks valid and infringed by Nike's use of LDNR. The Court dismissed Nike's arguments that LDNR was inherently descriptive as an abbreviation of 'Londoner' and concluded that the marks had a moderately strong distinctive character in relation to clothing. As regards infringement, the Court held that the average consumer would be likely to misread and/or mishear and/or misspeak LDNR for LNDR and vice versa from time to time, and this amounted to the marks being confusingly similar.

An action for trade mark infringement and passing off was successfully defended in *FIL Limited and others v Fidelis Underwriting Limited and others*²⁹. The Claimants ("Fidelity") claimed infringement of their trade marks containing FIDELITY by Fidelis' use of FIDELIS. Fidelis counterclaimed for invalidity and sought an order that Fidelity's marks be revoked for non-use.

Fidelity provides certain financial services such as pensions and savings products under the FIDELITY brand in the UK and its trade marks were registered for "financial services", "insurance services" and "investment services" (in addition to other services, upon which Fidelity did not focus their claim). Fidelis underwrites specialty insurance, reinsurance and retrocession in the UK and Bermuda, to commercial undertakings in categories such as aviation, marine, energy and terrorism.

As regards infringement, there was no real dispute between the parties that there was a high degree of visual similarity between FIDELITY and FIDELIS, and that the signs were aurally similar. Although the Court was satisfied that FIDELITY and FIDELIS were confusingly similar, it held that the average consumer (who would be highly knowledgeable, careful and attentive given the specialist nature of the services concerned) was not likely to be confused. This was supported by the absence of any evidence of actual confusion. Accordingly, Fidelis did not infringe the FIDELITY marks under Article 9(2)(b)³⁰.

Fidelity's allegations of infringement under Article 9(2)(c) also failed. Although the Court held that the FIDELITY marks had a reputation, and that the average consumer would make the requisite link between FIDELIS and FIDELITY, it found that Fidelis' use of FIDELIS had not damaged the distinctive character of FIDELITY, nor was there any evidence that Fidelis had taken unfair advantage of the reputation of FIDELITY.

Counsel for Fidelity had accepted that if it failed in its infringement claims, its claim for passing off would also fail, and accordingly the passing off claim was dismissed.

Fidelis' counterclaim for invalidity and revocation of the FIDELITY marks was partially successful. The Court held that the FIDELITY trade marks were invalid insofar as they were registered for "insurance services" as "fidelity insurance" is a recognised type of insurance, and ordered that the marks' specifications be amended to replace "insurance services" with "insurance services except fidelity insurance". Two of the FIDELITY trade marks were also revoked for non-use in relation to "insurance services" other than "pensions-related insurance services". The Court held that it was "arguable" that the FIDELITY marks were invalid insofar as they are registered for "financial services" and that it was also arguable that Fidelity had applied to register some of the FIDELITY marks in bad faith, without any intention of using the marks in relation to certain specified services. The Court declined to make a final finding on both of these points, pending an answer from the CJEU to the questions referred in *Sky v SkyKick*³¹ (which is reported on under the Validity section of this publication). The CJEU's answers to those questions are awaited with bated breath.

In June, the High Court found in favour of Verweij who was the Defendant in *Walton International & Giordano v Verweij Fashion BV*³². The Claimants and Verweij had both used the name GIORDANO for clothing and accessories since the 1980s. The Claimants were based in Hong Kong and made most of their UK and EU sales via two international websites, a global e-shop and an online store called 'AliExpress'. Verweij was based in the Netherlands and made most of its sales in the EU. The Claimants sued Verweij for trade mark infringement. Verweij counterclaimed for passing off and for the revocation of and a declaration of invalidity in respect of the marks. The marks were a portfolio of five UK and four EU registrations of GIORDANO in both word and figurative versions. A few days before trial, the Claimants served a notice of discontinuance of their claim insofar as it related to their EU trade marks. Verweij applied to have that notice set aside.

The Court held that service of the notice of discontinuance amounted to an abuse of process, because its effect would be to shield the EU trade marks from a determination of their validity by the UK Court and would allow the claimants to invoke the EU trade marks in further infringement and/or opposition proceedings in other Member States pending determinations by the EUIPO. Therefore the Court set the notice of discontinuance aside.

²⁸ [2018] EWHC 1893, 26 July 2018

²⁹ [2018] EWHC 1097 (Pat), 11 May 2018

³⁰ EU Trade Mark Regulation 2017/1001

³¹ [2018] EWHC 155 (Ch), 6 February 2018

³² [2018] EWHC 1608, 28 June 2018

In its counterclaim, Verweij sought revocation of all but one of the Claimants' trade marks on the ground of non-use. The Court confirmed that in order for use of a trade mark online to qualify as use in the UK or elsewhere in the EU, the use must be targeted at the UK or elsewhere in the EU. In the case of an EU trade mark, there must be "genuine use" of the mark in the EU. The Court held that the sales made by the two international websites were not consistent with any real attempt to create or preserve a market for the claimants' goods in the UK or its retail services in the EU, taking into account a number of factors such as: (i) the claimants were not actively selling to the UK or the rest of the EU, they were passively accepting orders from those locations; (ii) the nature of the goods as staple consumer items; (iii) the miniscule scale of the sales compared to the size of the UK and EU market; and (iv) the commercially insignificant scale of the sales in the context of the Claimants' own business and their online sales. Therefore the Claimants had not established genuine use of the trade marks and the marks were revoked with effect from five years after their respective registration dates.

Verweij argued that the remaining trade mark (consisting of GIORDANO in stylised form for goods and services in Classes 18, 25 and 35 including "clothing, footwear and headgear") was invalid because, as at 4 September 2014, its use in the UK was liable to be prevented by virtue of the law of passing off within Section 5(4)(a) of the Trade Marks Act 1994. The Claimants accepted that Verweij would have acquired goodwill in GIORDANO by the relevant date (and that therefore the Claimants' use of that trade mark would amount to passing off) but argued that in fact Verweij had not acquired goodwill because they were infringing the other GIORDANO trade marks. As the Court had already concluded that the other trade marks should be revoked for non-use, it followed that they could not be infringed and this argument had to fail. Therefore this mark was invalid too. Accordingly, the Court concluded that the Claimants' use of GIORDANO in relation to clothing amounted to passing off.

The Court of Appeal decision in *Argos Limited v Argos Systems Inc*³³ was an appeal brought by the well-known UK retailer ("Argos UK") against a judgment that its claims for trade mark infringement and passing off against the US corporation Argos Systems ("Argos US") be dismissed.

Argos UK sells consumer products through catalogues, retail shops and online. Argos US trades in computer aided design (CAD) systems for the design and construction of commercial and residential buildings, and its business is restricted to North and South America. The UK-based retailer trades from

www.argos.co.uk whereas the US-based company trades from www.argos.com.

Argos US is a member of Google's AdSense advertising programme, which means that it hosts adverts on its www.argos.com website and earns revenue based on the volume of traffic. Argos UK claimed that a substantial number of internet users based in the UK and Ireland were mistakenly visiting www.argos.com under the assumption that it was the website of Argos UK, and Argos US were gaining revenue from this traffic through the Google AdSense programme.

Argos UK claimed that this amounted to trade mark infringement pursuant to Article 9(1)(c) of Regulation 207/2009³⁴ as Argos US was using in the course of trade (by providing advertising space for the Google AdSense adverts) an identical sign to the registered mark (ARGOS) and this use took unfair advantage of the distinctive character or repute of Argos UK's ARGOS mark. Argos US denied this allegation, claiming that it did not perform any relevant acts in the UK. Therefore a key issue to consider was targeting, i.e. whether a foreign website which is accessible from the UK should be treated as using a sign in the course of trade in the UK. In the first instance decision³⁵ (reported in last year's edition of this publication), the High Court held that Argos US' website was not targeted at UK consumers.

The Court of Appeal began its assessment by stressing that targeting is not an independent doctrine of trade mark law. Instead, it is simply a jurisdictional requirement, i.e. that a Defendant must be using the relevant sign in the course of trade in relation to goods or services in the UK in order to be liable for trade mark infringement in the UK. The fact that a website is accessible from the UK is not a sufficient basis for concluding that it is targeted at consumers in the UK. Instead, the relevant question in this case was whether the average consumer in the UK would perceive the provision of advertising space on www.argos.com to be targeted at them. If the advertisements do not have any content relevant to UK consumers, then the Court of Appeal held that the answer to this question has to be no, even if Argos US knew that a large number of UK-based consumers mistakenly visited their website and even if Argos US earned revenue from those visits.

However, if the advertisements are relevant to UK consumers, then the analysis will be different. In this case, many visitors to www.argos.com from the UK were shown adverts of interest to them (because this is how Google's algorithms work) and some were shown adverts for Argos UK. Therefore, in these cases, the Court of Appeal held that both Google and Argos US

³³ [2018] EWCA Civ 2211, 9 October 2018

³⁴ The corresponding provision in the new EU Trade Mark Regulation 2017/1001 is Article 9(2)(c)

³⁵ [2017] EWHC 231 (Ch), 15 February 2017

were targeting the adverts at UK consumers (contrary to the judge's findings at first instance).

Having found that the adverts were targeted at UK consumers, the Court of Appeal went on to consider the remaining requirements for infringement under Article 9(1)(c): (i) establishing a link between the sign and the trade mark; and (ii) unfair advantage. The Court of Appeal disagreed with the Court of First Instance's finding that there was no requisite link, holding that Argos US earning income through the provision of adverts to consumers which arrive at www.argos.com on the strength of Argos UK's reputation (i.e. by typing "Argos" into their internet search) sufficiently establishes the necessary link.

As regards unfair advantage, it was clear on the evidence that the Argos name and domain name had not been deliberately selected by Argos US on the back of Argos UK's reputation. Indeed, the additional internet traffic to the www.argos.com website from UK consumers was initially unwanted, and there was no attempt by Argos US to draw a link with Argos UK on their website – it was immediately clear to visitors that they had come to the wrong place. Accordingly, although Argos US did obtain an advantage, the Court of Appeal saw no reason to overturn the High Court conclusion that this advantage was not unfair. Therefore Argos UK's appeal was dismissed.

Passing Off

While survey evidence may be admissible in trade mark disputes in England as it is in European continental countries and the EUIPO, obtaining permission to adduce such evidence is a complex matter where the Courts need to be persuaded of the real value of the survey evidence and also be satisfied that the likely value justifies the costs associated with survey evidence.

Last year's decision issued in the context of the *Glaxo Wellcome UK Ltd & Ors v Sandoz Ltd & Ors*³⁶ 'inhalers' dispute illustrates some of the difficulties associated with the admission of survey evidence in England but sends reassuring signals to owners of trade marks wishing to rely on this type of evidence.

In this case, Glaxo sought permission from the High Court to adduce survey evidence in support of their passing off claim against Sandoz relating to the get-up and purple colour of their 'Seretide' inhalers. Such survey had originally been carried out by Glaxo to support acquired distinctiveness of the main purple colour in the respective pending opposition proceedings, and Glaxo wanted to re-use the evidence in these proceedings.

Sandoz argued *inter alia* that the survey had an artificial nature and limited relevance as it was based on a square colour rather than the 'inhaler' itself. Furthermore, Sandoz took issue with the quality of the survey evidence and the significant costs that would be incurred as a result of the inclusion of this evidence which in their view were unjustified.

In terms of the relevance objection, the Court noted that Glaxo's case involves an allegation that the colour is distinctive *per se* and that such colour is not only used on the inhalers but also on the packaging and marketing materials as well. Therefore, it was held to be sensible to test this by it using a square of colour rather than a particular object.

Turning to the objections concerning the quality of the survey, particularly raised on the grounds that the surveys were inadequately documented, the Court acknowledged the potential difficulties presented by surveys but considered that these were 'not so significant as to establish now that the evidence as a whole will not be of real value to the Court or that the cost is likely not to be justified by the value'.

In terms of costs the Court accepted there would be 'substantial costs' associated with the inclusion of this evidence, however, the case itself is an important/high value dispute affecting two major pharmaceutical companies and those costs would not be 'a disproportionate share of the overall resources to be devoted to the resolution of this high value commercial dispute' where these account for less than 10% of the proceedings costs.

In *National Guild of Removers & Storers Ltd v Luckes*³⁷ the Claimant argued that the Defendants, a company and its directors, were liable for passing off when advertising misrepresenting content on a third party website according to the CJEU guidance in the *L'Oréal*³⁸ and *Google France*³⁹ cases. In this respect, the High Court held that liability questions when it comes to passing off must depend on English Law and reiterated the general principle that an act of passing off is carried out by the person who performs or has direct control over the act which creates the misrepresentation. Therefore, while the online directory that listed the content was directly liable for passing off, the Company and Directors in question were not directly liable for passing off in relation to the content in the third party website. The company and directors' liability in this respect would have depended on the law of agency, an argument which was not made, but if it had been run it would have been difficult for the Claimant to establish that the Defendants had given express authority to make the misrepresentation or that the agent had ostensible authority to do so.

³⁶ *Glaxo Wellcome UK Ltd & Ors v Sandoz Ltd & Ors* [2017] EWHC 3196 (Ch), 15 December 2017

³⁷ *National Guild of Removers & Storers Ltd v Luckes & Ors* [2017] EWHC 3176 (IPEC)

³⁸ *L'Oréal SA v eBay International AG*, (C-324/09) EU:C:2011:474; [2011] E.T.M.R. 52

³⁹ *Google France Sarl v Louis Vuitton Malletier SA* (Joined Cases C-236/08, C-237/08 and C-238/08) EU:C:2010:159; [2010] R.P.C. 19

The use of the Claimant's name on the Defendants' company website, albeit unintentional, was however held to be an act of passing off for which the Defendant's company was liable given that it was the product of an act under the company's direct control. On the other hand, the directors of such company were not held to be liable as joint tortfeasors as they had no knowledge of acts of their company which constituted passing off. They therefore could not have actively co-operated to bring about the act of the primary tortfeasor, a key requirement for joint liability in this case.

Web-blocking orders

Back in June, the UK Supreme Court handed down the hotly anticipated judgment in *Cartier*⁴⁰ where they provided the world with clarity on who should be responsible for bearing the costs of complying with blocking injunctions for trade mark infringement.

The case involved several Richemont group companies including Cartier and the 5 largest internet service providers (ISPs) in the UK, but its implications are far wider and arguably extend to all IP infringement blocking injunctions going forwards.

Cartier applied for an injunction requiring ISPs to block access to specified websites. The websites were selling counterfeit copies of their goods and infringing their trade marks. The ISPs themselves are not connected to any of the websites, nor do they have any control over the content.

Several years ago now, the High Court granted the injunction and ordered the ISPs to pay the costs of its implementation. This was the first case which confirmed that blocking injunctions are available for trade mark infringement and not just copyright infringement. The Court of Appeal upheld this decision including the responsibility for costs and the ISPs appealed to the UK Supreme Court on this point.

In a decision that rights holders will see as a blow to their brand protection strategies, the Supreme Court disagreed with both the High Court and the Court of Appeal and (unanimously) held that rights holders should be required to indemnify ISPs for reasonable implementation costs of these types of orders.

The Judges firstly confirmed the ability of English courts to grant these types of injunctions – their justification came from equitable jurisdiction in national law. They considered the position to be no different to that where other injunctions are ordered – such as *Norwich Pharmacal* – which require the innocent party to assist those whose rights have been infringed. The

ordinary position under *Norwich Pharmacal* orders is that an intermediary is entitled to compliance costs.

It was held (unlike the Court of Appeal) that none of the EU Directives confirm anything about the responsibility for compliance costs. They simply state that if intermediaries are bearing the costs this cost should not be excessive. They concluded this meant it was a matter for national law within the broad limits of EU principles. They considered that under English law, an innocent intermediary is ordinarily entitled to be indemnified against the costs of complying with a blocking injunction. ISPs are mere conduits who would not be liable under English law for trade mark infringement. They have no legal responsibility to remedy the injustice so there is no basis for requiring them to be responsible for the costs – they are acting simply under the compulsion of an order of the Court. The Court also considered the fact that the ISPs would not be liable even if the safe harbours in EU law were not in place.

The Supreme Court dismissed arguments that, because ISPs benefit financially from infringing content, it is only fair that they contribute to the costs. They concluded that English law is not concerned with any moral or commercial responsibilities that may exist. They also considered that a rights holder applied for this type of injunction for their own commercial interest to protect their own rights so there was no reason why they would be entitled to a contribution from another party (other than the infringer). They also considered that the protection of IP rights is an ordinary cost to a business and the costs of implementing these types of orders could naturally sit here.

The decision hinged on the fact the intermediary in this case was innocent in the eyes of the law. It was specifically noted that in other circumstances where a party may be engaged in hosting or caching for example, where more active participation in the infringement itself took place, other considerations may apply.

It is also worth pointing out that the Supreme Court Justices did not rule that brand owners had to pay all of the ISP costs in this instance. They broke down the costs into 5 different categories of which they considered ISPs could recover for 3 of them:

- i) The marginal cost of the initial implementation of the order, which involves processing the application and configuring the ISP's blocking systems;
- ii) The cost of updating the block over the lifetime of the orders in response to

⁴⁰ *Cartier International AG v British Telecommunications PLC* [2018] UKSC 28, 13 June 2018

notifications from the rights holder, which involved reconfiguring the blocking system to accommodate the migration of websites from blocked internet locations; and

- iii) The costs and liabilities that may be incurred if blocking malfunctions through no fault of the ISP, for example as a result of over-blocking because of errors in notifications of malicious attacks provoked by the blocking

They did not include any contribution to the capital costs of acquiring or upgrading the technology. The Court also limited the indemnity to the costs of reasonable compliance in the above categories.

Unusually, the Court ordered the costs of the litigation against the ISPs because they had deliberately made the case into a test case and strongly resisted the application against them.

As it stands, given the result of this decision, brand owners will now have to factor in the cost of enforcing these orders themselves, although as they are limited to the above categories it may transpire that the actual impact of this ruling is minimal.

Parallel Imports

Back in July, when the legal press was occupied with KitKat, the CJEU also ruled that importers cannot circumvent the rules on parallel imports by removing trade marks from products themselves⁴¹.

Duma forklifts and GSI were purchasing Mitsubishi forklifts from a Mitsubishi group company outside of the EEA. They were then placed under a customs warehousing procedure. Whilst in the warehouse, the Mitsubishi marks were removed and the forklifts made compliant with EU standards. These modifications included replacing the identification plates and serial numbers with Duma's own signs. The modified forklifts were then imported and marketed within in the EEA.



Mitsubishi brought proceedings in Belgium, seeking an order to oppose this activity. At first instance, the application was rejected, but Mitsubishi appealed. The

Court of Appeal in Brussels stayed the proceedings and referred the following questions to the Court of Justice:

1. *(a) Do Article 5 of Directive 2008/95 and Article 9 of Council Regulation No 207/2009 cover the right of the trade mark proprietor to oppose the removal, by a third party, without the consent of the trade mark proprietor, of all signs identical to the trade marks which had been applied to the goods (debranding), in the case where the goods concerned have never previously been traded within the EEA, such as goods placed in a customs warehouse, and where the removal by the third party occurs with a view to importing or placing those goods on the market within the EEA?*

(b) Does it make any difference to the answer to question (a) above where the importation of those goods of their placing on the market within the EEA occurs under its own distinctive sign applied by the third party (rebranding)?
2. *Does it make any difference to the answer to the first question whether the goods thus imported or placed on the market are, on the basis of their outward appearance or model, still identified by the relevant average consumer as originating from the trade mark proprietor?*

The CJEU considered that both Article 5 of Directive 2008/95 and Article 9 of Council Regulation No 207/2009 were identical in content and should therefore be interpreted in the same way. The Directive recitals make it clear that its purpose is to eliminate disparities between the trade mark laws of the Member States which may impede the free movement of goods, freedom to provide services and distort competition.

It was observed that undertakings must be able to attract and retain customers by the quality of their goods which is something made possible by the use of distinctive signs. They also confirmed the importance of a proprietor being able to control the initial marketing and placement of goods bearing their mark in the EEA.

It is already established that the exclusive rights of a proprietor of a mark enables them to protect their interests and ensure that their trade mark can fulfil its function. The court considered that this extended to functions other than a guarantee of origin including a guarantee of quality, communication, investment or advertising.

⁴¹ *Mitsubishi Shoji Kaisha and Mitsubishi Caterpillar Forklift Europe*, C-129/17, 25 July 2018

They went on to confirm that the function of investment includes the use of the mark to ‘*acquire or preserve a reputation capable of attracting customers and retaining their loyalty.*’ When third party use of an identical mark substantially interferes with the proprietor’s use of their mark in this way and prevents them acquiring or preserving their reputation, the third party use is adversely effective and therefore subject to prevention under Article 5(1)(a) of the Directive.

Whilst the above points are established, the goods in question in this case did not contain the Mitsubishi mark at the point they were imported and marketed in the EEA. However, the CJEU determined that the removal of the mark by Duma prevented the rights holder from controlling the initial marketing of the goods in the EEA and also adversely affected the essential functions of the mark, particularly the indication of origin. The referring Court queried whether it mattered that the average consumer would still recognise the goods as originating from the rights holder even with the omission of the mark as per question 2. The CJEU commented that while the essential function of the mark would still be harmed, this level of harm would likely be diminished. The Court considered that the removal of the mark prevented the proprietor from utilising the functions of advertising and investment as well. The placement of the goods on the market bearing a different mark may result in consumers associating the goods with the different mark and prevent the proprietor from acquiring a reputation. By putting the goods on the market in the EEA first, Duma was depriving Mitsubishi of the possibility of obtaining ‘*the economic value of the product bearing that mark and, therefore of its investment.*’

All the above conduct amounted to being contrary to the objective of ensuring undistorted competition as required by both the Directive and the Council Regulation.

The Court then turned to the concept of ‘use in the course of trade’ which is one they have already ruled on. There is no doubt it requires active behaviour by the third party in question. This extends to use in the ‘*context of commercial activity with a view to economic advantage.*’

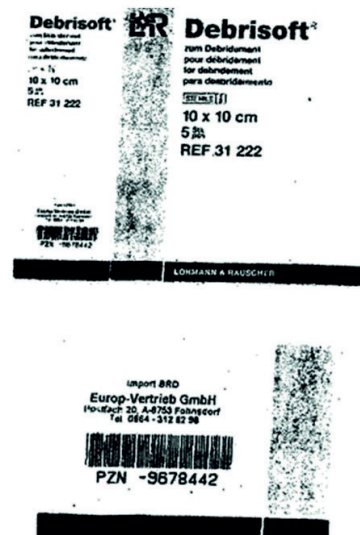
In this case, at no point did any third party use an identical (or similar) mark. However, it was found that removing marks and affixing new ones was active conduct. There was an intention to import to the EEA and therefore a commercial activity for economic advantage that could be considered use in the course of trade. This went against the Advocate General opinion who suggested that removal of the mark could not be considered use in the course of trade and that

Member State law governs the issues of de-branding and re-branding rather than EU law itself. The Court disagreed, but it remains uncertain how far this concept of use could be extended. For example, the CJEU did not make it clear whether ‘use’ required both de-branding and re-branding. Would just the removal of a mark constitute use in the course of trade?

This reasoning led the Court to determine that a trade mark proprietor is therefore entitled to oppose such action by a third party under both Article 5 of Directive 2008/95 and Article 9 of Council Regulation No 207/2009. They considered it made no difference that the act of removal took place under the customs warehousing procedure since those operations were carried out, in part, for importation and placement of the goods in the EEA.

It is as yet unclear how national courts will apply this judgment, but because of the specific nature of this judgment there are likely to be further questions surrounding the issues of parallel imports and de-branding in the future.

In *Junek Europ-Vertrieb v Lohmann & Rauscher International*⁴², the CJEU provided further guidance on what constitutes repackaging for parallel importers and trade mark owners. In this instance, Junek Europ-Vertrieb, the parallel importer of Lohmann’s products under the brand DEBRISOFT (a dressing used for superficial wounds) added a label which contained information such as the company responsible for the importation, its contact details, a barcode and a central pharmaceutical number as below:



Junek had not given prior notice to Lohmann of the reimportation and also had not supplied Lohmann with the modified packaging with the contested

⁴² Case C-642/16, 17 May 2018

label affixed, 2 of the BMS conditions. Accordingly, Lohmann issued infringement proceedings under Article 15(2) of Regulation EU 2017/1001 and a question arose as to whether the BMS conditions applied to medical devices or simply to pharmaceutical products.

The CJEU reiterated the conditions in the BMS and Boehringer cases which are as follows:

"the proprietor of a mark may legitimately oppose the further commercialisation of a pharmaceutical product imported from another Member State in its original internal and external packaging with an additional external label applied by the importer, unless:

- Use of the trade mark rights to oppose the marketing of the re-labelled products under that trade mark would contribute to the artificial partitioning of the markets between member states.
- It is shown that the repackaging cannot affect the original condition of the product inside the packaging.
- The new packaging states clearly who repackaged the product and the name of the manufacturer.
- The presentation of the repackaged product is not such as to be liable to damage the reputation of the trade mark and of its owner; so, the packaging must not be defective, of poor quality, or untidy.
- The importer gives notice to the trade mark owner before the repackaged or over-stickered product is put on sale, and, on demand, supplies him with a specimen of the repackaged product."

The CJEU held that the BMS guidelines were not restricted to pharmaceutical products. However, it also held that the content, function, size, presentation and placement of the label by Junek to the unopened box did not affect the trade mark's guarantee of origin, and therefore did not amount to repackaging within the meaning of the ECJ's case law on parallel imports.

Procedural Updates

International Trade Marks

Indonesia, Afghanistan and Madagascar became members of the Protocol Relating to the Madrid Agreement concerning the International Registration of Marks (known as the Madrid Protocol). Applicants can designate these countries respectively as from 2

January 2018, 26 June 2018 and 25 December 2018 in their international trade mark applications filed via the Madrid System, which allows obtaining trade mark protection in the member states by filing one single application in one language.

From 1 April 2018, the International Trade Marks Office, operated by WIPO, no longer processes documents and requests received by fax.

Looking Ahead

Given the decision on web-blocking order in *Cartier*, the UKIPO has plans to simplify the way in which websites containing copyright infringing material are blocked. The Government are now considering administrative site blocking rather than requiring Court procedures to be followed.

Brexit

By the time you read this, the arrangements for the UK's exit from the EU, namely BREXIT, may be clear. However, as of today's date, while events are moving quickly, in many ways we feel further away from any certainty about what BREXIT will look like. To date advice has generally been based around two possible outcomes that, while not certain, had over the last few months looked the more likely of the options, namely:

1. leaving under the terms of the Draft Withdrawal Agreement; or
2. leaving without agreement on 29 March 2019.

Following the Government's defeat in the House of Commons on 15 January in the vote on the Draft Withdrawal Agreement, together with vocal support by sections of MPs for a range of measures that would prevent the so called "Hard BREXIT" on 29 March, we now need to be conscious that both of the above options may not happen.

At the moment it is advisable to plan on the assumption that the "Hard BREXIT" could still happen, namely, the UK leaving the EU on 29 March without any agreement. In many ways this is the worst case scenario. However, as this scenario has always been a possibility, the UK Government has announced its intentions if this were to happen for a range of issues, including for trade marks.

EU Trade Marks

As the UK leaves the EU, EU trade marks no longer cover the UK.

If an agreement can be reached and, as far as trade marks are concerned, it follows the terms in the Draft Withdrawal Agreement, EU trade marks will continue to cover the UK until 31 December 2020 under a transitional period.

If however we leave without Agreement on 29 March 2019, EU trade marks will immediately no longer cover the UK. Should this happen, the UK Government has stated:

1. REGISTERED EU trade marks will continue to cover the UK by the creation of an equivalent UK registered right that will come into force on the date we exit the EU. The new UK trade mark registrations will be treated as if they had been registered under national law with the same filing date. There will be no Government fees associated with this.

2. PENDING EU trade marks will NOT automatically convert into new UK applications. However any applicant with a pending application for an EUTM at the date of exit will have a period of 9 months from the date of exit to file a national application for UK protection. Applications for UK protection within the 9 months will be able to claim the priority date of the original EUTM application. Applicants with pending EUTM applications who need to file a UK application will need to pay the Government fees for the new application.

In both situations the equivalent UK trade mark is intended to have the same protection and rights as the equivalent EU trade mark. The UK Government can unilaterally propose this without the need for any agreement with the EU.

It is important to note that owners of existing registered EUTMs should be automatically notified of their new equivalent UK trade mark on creation. However, applicants with pending EUTM applications will not be notified of the need to file their UK application within the 9 month window from the date of exit.

The position in respect of EU designations of International registrations remains unclear. The UK Government has committed to maintaining EU rights in the UK after BREXIT. For EU designations, whether this will be done by the creation of a new UK designation, that will require the agreement of WIPO, or a separate UK national right, that the UK Government can do unilaterally, will depend on the conclusion of negotiations between WIPO and the UK Government.

We understand that the UK Government hopes to reach agreement with WIPO.

EU Trade Mark Oppositions to Applications for Registration or Cancellation Actions

It is of course possible to oppose the registration of an EU trade mark (or seek its cancellation) based on UK only rights including UK national registrations and the common law right of passing off. The position after BREXIT for pending oppositions/cancellation actions based solely on such rights is unclear although there is limited guidance from the EUIPO that suggests that the opposition/cancellation action should fail. It would be difficult to justify preventing an EU trade mark from proceeding to registration for the remaining 27 countries based on rights that only exist in the UK. Furthermore, earlier rights which have been claimed in such proceedings are required to be in force throughout the proceedings.

Customs

Arrangements for action by European Union customs authorities to support IP holders will also feel the impact of BREXIT.

The European Commission issued a Notice to Stakeholders in June 2018 concerning the Customs Regulations. It stated that, as of the withdrawal date:

1. Union Applications can no longer be submitted to UK Customs.
2. Union Applications submitted or granted in one of the remaining 27 Member States remain valid in the EU-27 (but not in the UK) even if they list UK Customs as one of the Member States in which action is to be taken.
3. Union Applications submitted to and granted by UK Customs are no longer valid in the EU-27.

IP holders will need to review the work they are doing with the customs authorities in the EU and the applications they have already made to make sure that after BREXIT they are appropriate and cover the intended territories.

Today, we remain hopeful that the negotiations between the UK and the EU can result in some certainty for IP holders.

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Our Brands, Designs and Copyright team is made up of partners, solicitors, trade mark attorneys, trainee solicitors, paralegals and formalities clerks, including lawyers qualified to act within the European Union and other countries.

