

# Make Your *Mark*

SPRING 2018



With the UK set to leave the EU on 29 March 2019, this issue of Make Your Mark looks at the implications for Trade Marks and Design protection in the UK, the implications for the Trade Mark and Designs profession and how Maucher Jenkins will be managing the process in light of the recent draft withdrawal agreement, a document which is handily colour-coded in green, yellow and white. Unless that draft withdrawal agreement turns out to be merely blue-sky thinking, trade mark law as applied by the English courts for EU marks and UK Marks will continue at least for the post-Brexit transition period and, therefore, the answers to questions referred to the CJEU by the English High Court in the recent Sky Plc v Skykick judgment (summarised in the UK court diary section) will hopefully provide extremely useful guidance on trade mark invalidity defences to infringement.

Turning to consider non-traditional signs, current EU trade mark law allows for their registration in theory, but how easy is it to protect such marks in practice? We explore the position taken in recent cases by the European Courts (on pages 7 to 10), as well as the German courts (pages 4 to 6) and the English courts (pages 21 to 28). As Red Bull, Christian Louboutin, Glaxo and Enercon have found out, the law on colours can be a grey area and, as London Taxi and others have discovered, the law on shapes doesn't fare much better.

Finally, in the UK court diary, we explain how dealing in so-called "grey" goods can be a criminal offence under the Trade Marks Act.

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# EUROPEAN PERSPECTIVES BREXIT – THE IMPLICATIONS FOR IP AND FOR MAUCHER JENKINS

On 19 March 2018, the European Commission published the “Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community” which showed where there is full agreement between the EU and the UK, where there is agreement in principle and where there is no agreement. Provisions relating to intellectual property can primarily be found within Articles 50 to 57.

## Transition period

Article 121 of the proposed withdrawal agreement provides details of a transition period, starting from the UK's exit from the Union (occurring on 29 March 2019 at 11.00 pm, according to the latest European Union (Withdrawal) Bill) and ending on 31 December 2020. EU law will still continue to apply to the UK during this transition period. The transitional arrangements should lessen disruption and legal uncertainty caused by Brexit. However, we can't be certain that the stated transition period will apply in practice because some issues remain to be agreed (such as the border between Northern Ireland and the Republic of Ireland) and the agreement has yet to be ratified. The EU and the UK will not ratify the agreement until around the end of 2018 (possibly early 2019), and it would then have to be approved via primary legislation passed into law by the UK Parliament.

## Is there any certainty around how the EUIPO will deal with IP rights post Brexit?

The Draft Agreement is helpfully colour-coded, with text in green highlighting that the following provisions have been agreed in principle:

- Following the transition period, owners of EU trade marks (EUTMs), Community designs and Community plant variety rights that have been granted before the end of the transition period will “*without any re-examination, become the holder of a comparable registered and enforceable right in the UK*” (Article 50);
- Those who have obtained protection for international registrations of trade marks or designs designating the EU before the end of the transition period shall continue to enjoy protection for those international trade marks and designs after the transition period (Article 52);
- Holders of unregistered Community design (UCD) rights that arose before the end of the transition period will become owners of corresponding rights in the UK (with the ‘same level of protection’ as the corresponding UCD) after the transition period (Article 53);
- The holder of a UK database right, which arose before the end of the transition period, will continue to benefit from a right with the ‘same level of protection’ as the EU database right after the transition period (Article 54); and
- IP rights that have been exhausted in the UK and the EU before the end of the transition period shall remain exhausted both in the UK and the EU after the transition period (Article 57).



## Is this as much progress as was hoped for?

Insofar as EUTMs and registered/unregistered Community designs are concerned, the Draft Agreement echoes the proposals of the UK Trade Mark profession's representative body, CITMA, namely that these rights should be protected post-Brexit just as they were pre-Brexit. The Draft Agreement goes a step further by essentially extending that approach to all unitary IPRs (including other protected terms in relation to agricultural products) and proposes that holders of unitary IPRs should not have to foot the bill, but it seems likely that the transition, however smooth, will come at a cost.

That said, the Draft Agreement does not reflect as much progress as CITMA hoped for: in its position paper, "Post-Brexit registered trade mark and design rights, and rights of representation", CITMA recommended that current and future UK Chartered Trade Mark Attorneys be granted continuation of rights of representation before the EUIPO and an extension of existing rights of representation so that they might represent their clients before the EU General Court and the CJEU. The consequences of UK-based Chartered Trade Mark Attorneys no longer being qualified to act before the EUIPO would, as CITMA said, have "far-reaching repercussions" since nearly one in every four EUTM applications are currently represented by a UK representative.

Text in white in the document corresponds to proposals by the EU on which discussion between the UK and the EU are ongoing; in relation to IP, the text indicates that agreement has yet to be reached with regard to the precise mechanics for the registration procedure in the UK (for EUTMs) (Article 51).

Although the draft Agreement does not specify whether the process will be administered by the UKIPO, Article 51(1) does state that the relevant UK bodies will register the transfer of rights free of charge. Articles 51(2) and (3) provide that the rights holder will not have to submit an application and a number of EU bodies will provide all of the information needed for registration to the UK authorities. Article 50(4) provides that the first renewal date of any trade mark which was transferred to the UK in accordance with Article 50(1) will be the next renewal date of the corresponding IP right registered in accordance with EU law.

## Representation at the EUIPO

At present, the UK is a member of the European Economic Area (EEA), due to its membership of the EU. If the UK does, therefore, leave the EU, then it will also leave the EEA. Under the current rules of the EUIPO, professionals who are qualified in member states of the EEA are entitled to represent others before the EUIPO. If, therefore, the UK leaves the EU and does not rejoin the EEA, then those UK professionals who are only qualified in the UK, will not be able to act for others before the EUIPO. As our readers will be aware, the question of whether the UK should join the EEA (with all the requirements and commitments that this would entail), is currently the subject of much debate within the UK.

Maucher Jenkins would, however, like to reassure all of its clients that our activities will not be changed. Maucher Jenkins, unlike a number of other firms within the UK, has had a longstanding presence in Germany, with our Munich Office operating for over fifteen years. Further, and far before the UK's referendum on whether to leave the EU took place in June 2016, RGC Jenkins & Co commenced merger negotiations with the well-established firm of Maucher Borjes & Kollegen in Freiburg, with the merger being completed in August 2015. With Germany remaining resolutely in the EU, we will be able to continue to act before the EUIPO for all of our clients as Maucher Jenkins.

Additionally, we have a number of individuals outside of our German offices who are qualified to act not only in the UK, but also in various other countries of the EU, and also a number of other individuals in our UK Offices who are nationals of other member states of the EU. All of these will be able to continue to act before the EUIPO, even if not based within our German Offices. Maucher Jenkins is therefore highly confident that we will be able to continue to act for all of our clients, from all of our offices even after the exit of the UK from the EU.



# EUROPEAN PERSPECTIVES

## BREXIT – THE IMPLICATIONS FOR IP AND FOR MAUCHER JENKINS (CONT/...)

### Litigation

Both the German and UK Offices of Maucher Jenkins have been increasing their litigation practices over the last few years. There will be no effect of Brexit on our litigation teams, and we will continue to handle disputes in all areas of IPO in the English and German Courts, as well as continuing to manage multi-jurisdictional cases in Europe and beyond.

### A word about domain names

Owners of “.eu” domain names who are based in the UK should take note of a subsequent document published by the European Commission on March 27 2018, entitled “Notice to stakeholders: withdrawal of the United Kingdom and EU rules on ‘.eu’ domain names”. This notice states that (subject to any transitional arrangements) all EU regulatory frameworks for the “.eu” top-level domain will no longer apply to the UK as of 31 March 2019. The likely practical consequences for UK-based proprietors of “.eu” domain names are as follows:

- Any undertakings and organisations that are established in the UK but not in the EU and natural persons who reside in the UK will no longer be eligible to register or renew .eu domain names
- As of March 31 2019, the Registry for .eu will be entitled (on its own initiative and without submitting the dispute to any extrajudicial settlement of conflicts) to revoke all domain names where the registered proprietors do not reside, or are not established, within the EU
- As of March 31 2019, IP owners seeking to challenge “.eu” domain names that are identical or confusingly similar to a name in respect of which a right is recognised or established by national and/or EU law cannot rely on UK registered or unregistered rights (save for the exception of “well-known marks”, as defined under Article 6bis of the Paris Convention)
- As of March 31 2019, agreements between the Registrar and the registrant of a .eu domain name that designate UK law as the applicable law should be amended so as to designate the law of a EU Member State

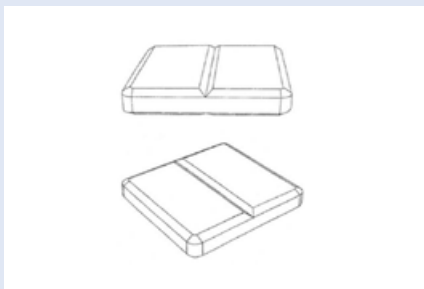
### Conclusion

Clients who are proprietors of .eu domain names should review their domain name strategy and consider assigning ownership of any .eu domain names registered in the name of a UK-based individual or entity to an EU-based individual or entity.

Provided that the ratified withdrawal agreement establishes the transition period as ending on 31 December 2020, then any EUTM applications granted after that date will not cover the UK. Clients should therefore consider filing an UK application as well as a EUTM application. As regards EUTM registrations granted before the end of the transition period, even if all of those EUTM registrations automatically have effect in the UK, there is likely to be some period of uncertainty before this takes effect. We would therefore recommend that clients consider re-filing their EUTMs in the UK, especially where the mark is a house mark or house logo.

# DARE TO SUCK A DEXTRO ENERGY?

On August 6, 2003, national German trademarks were registered showing three dimensional representations of Dextro Energy's well-known product, "grape sugar",



(application no. 397 55 314, filed on November 19, 1997) and its usual packaging form



(application no. 398 04 308, filed on January 29, 1998). The registrations were based on the fact that Dextro Energy had shown the trademarks had become established in the participating trade circles as a result of its use for the pertinent goods.

On September 24, 2012, a competitor of Dextro Energy, Germany-based CA Vertriebsgesellschaft, filed requests for cancellation of both trademarks. In the requests, CA Vertriebsgesellschaft claimed that the trademarks consist exclusively of a shape necessary for obtaining a technical result, which would render the trademarks ineligible for protection according to section 3 (2) No. 2 of the German trademark law, regardless of whether the trademarks have become established as a result of their respective use.

Both the German Patent and Trademark Office and, in appeal proceedings, the Federal Patent Court of Germany (Bundespatentgericht) decided that indeed both trademarks should be cancelled as all essential features of the trademarks can be attributed a technical function.

The Patent Court admitted an appeal on the grounds of law before the Federal Court of Justice of Germany (Bundesgerichtshof) in both cases.

## Exclusion of technical features and patentability

As for item 1 above, Dextro Energy essentially argued that Section 3 (2) No. 2 of the Germany Trademark law, which excludes signs consisting exclusively of a shape necessary to achieve a technical function from protection as a trademark, is not applicable to the trademarks of the cases as it is not possible to achieve technical protection rights, and therefore the temporal limitations of technical protection rights cannot be bypassed by (temporally unlimited) trademark protection rights.

The Federal Court of Justice confirmed the view of the Patent Court, that there is a danger of creating a monopoly based on trademark law for technical solutions, which are embodied in the shape of a product, irrespective of whether or not that shape can be protected by a technical protective right. In particular, if a technical solution is not or cannot be protected by a technical protective right, these should remain accessible for free use to all competing participants. This applies all the more to cases where the conditions for obtaining a technical protective right are not met, and hence where not even a temporally limited monopolization can be achieved.

## Grounds for appeal

In its appeal, Dextro Energy argued that

1. Section 3 (2) No. 2 of the German Trademark law must not be applied as the respective shapes of the trademarks cannot be covered by a technical protective right and
2. Not all essential features of the trademarks are necessary to achieve a technical function.

# DARE TO SUCK A DEXTRO ENERGY? (CONT/...)

## Essential features

As for item 2 above, the Federal Court of Justice first had to determine what the essential features of the trademarks are.

In this regard, the Court approved the approach of the Patent Court, that the essential features may be determined with respect to the perception of the relevant average consumer of the goods in question.

The Court confirmed the view held by the previous instances that the trademarks have three and four essential features, respectively. Accordingly, the essential features of the first trademark are the choice of a flat cuboid with bevelled corners and edges, wherein the cuboid's large faces show a central indentation in the manner of a predetermined breaking point, and, in the case of the second trademark, the arrangement of eight

such cuboids in a stack. However, the Court accepted Dextro Energy's argument that the Patent Court did not base its observations on the signs as registered. Instead, the Patent Court had reduced the signs to an abstract basic shape without considering their concrete features in the required manner. In particular, when the Patent Court looked at the shape of a cuboid as an essential feature, it did not consider that the central V-shaped indentation divides the large face optically into two rectangles. Moreover, the Federal Court of Justice pointed out that the graphical representation of the signs clearly shows that the edges are not rounded, as stated by the Patent Court, but slanted on the upper and lower faces so that protruding rectangles are formed on the smaller faces of the cuboid. Further, although the corners are indeed rounded, they show additional bevels that are set off against the bevels of the edges. Lastly, the central indentation is not just a

cut but – by means of two intersecting slopes – has a V-shaped form. Hence, the Federal Court of Justice concluded, the shapes give a complex geometric impression. Moreover, in the case of the second trademark, arranging a stack of eight cuboids creates another complex geometric form.

The opponent, CA Vertriebsgesellschaft, argued that for the relevant average consumer this detailed description has no meaning as the goods of the trademarks are every-day products of low value intended for immediate consumption. The Federal Court of Justice, however, pointed out that the Patent Court did not find that the consumer will indeed reduce the signs as registered to the basic shape as described. Nor did it find that the consumer will disregard the stack arrangement and look at the individual shape of the cuboids instead.

## Achieving a technical function

When determining the technical function of a feature, the Federal Court of Justice firstly pointed out that this has to be done in an objective manner rather than from the point of view of an average consumer.

Secondly, in assessing whether or not a feature is necessary to achieve a certain technical result, it is irrelevant whether or not there are alternatives that achieve the same technical result.

The Federal Court of Justice confirmed that the shape of a cuboid has the technical function of being able to arrange portions in a stack.

Also, the Federal Court of Justice agreed to the finding of the previous instance, that the V-shaped indentation has the technical effect of defining a breaking point.

However, concerning the slanted edges and rounded corners, the Federal Court of Justice held that these features do not have a technical effect.

In this respect, the Patent Court had stated that avoiding sharp edges and corners serves the aim of making the consumption of grape sugar portions easier and making the intake in the mouth more enjoyable. However, as the Federal Court of Justice points out, a feature of a shape is excluded from trademark protection only if its effect is of a technical nature. If its effect is to achieve a certain taste or to convey a certain sensory – be it optical or haptic – perception, it will not fall under the exception from trademark protection.

The opponent provided a registered patent, which describes that for tablets it is advantageous to have rounded edges in order to avoid cutting injuries of the oral mucosa. Here, the Patent Court has left open the question of whether shaped grape sugar may have edges and corners sharp enough to cause injuries, in particular given the speed at which it dissolves in the mouth. Therefore, the Federal Court of Justice assumed for the benefit of the appellant, Dextro Energy, that it would be possible to consume portions of grape sugar with sharp edges and corners.



## What's Next?

The Federal Court of Justice has set aside the decisions of the Patent Court without deciding the cases. Therefore, the cases were sent back to the Patent Court for further consideration.

In doing so, as is customary, the Federal Court of Justice gave "sailing instructions" to be observed by the Patent Court: Firstly, the Patent Court will have to determine whether having sharp edges and corners indeed would result in a risk of causing injuries. Again the Federal Court of Justice points out that merely creating a more pleasant feeling in the mouth during consumption will not be sufficient to establish a technical function.

Secondly, the Federal Court of Justice points out that in the current state of the cases, the Patent Court

is not entitled to consider the exclusion of signs consisting of a shape, which results from the nature of the goods themselves.

Thirdly, if the Patent Court arrives at the conclusion that the cancellation of the trademarks cannot be based on their shapes, which consist exclusively of features that are necessary to achieve a technical result, it will have to consider the remaining ground for cancellation, which is lack of distinctiveness. Here, the Patent Court will have to examine whether the trademark has become established. To this end, the Federal Court of Justice concluded that the Patent Court will have to consider ordering a public opinion poll, which the trademark proprietor has already requested.

## Comments

Three dimensional trademarks have been a topic of lively discussion for some time. While it seems fair to say that the EUIPO has taken quite a restrictive stance towards this topic, it is too early to say whether the decision of the Federal Court of Justice will mark a turning point in the relevant German case law. The sailing instructions in the referral seem to leave only little room for the Patent Court to cancel the trademarks, given that Dextro Energy already demonstrated during prosecution that its trademarks have become established by their use.

These cases show, however, that it can make sense to go all the way up to the highest instance. This is because the Federal Court of Justice seems to take on an *in-dubio-pro-reo* position that is hesitant in destroying acquired rights. Notably, the Federal Court of Justice assumed for the benefit of the proprietor that a certain essential feature of a three dimensional shape is not necessary to achieve a technical result until it can be proven otherwise. However, the previous instances seem to be less restrictive in their application of the law in order to cancel (three dimensional) trademarks. As it is up to the Patent Court to admit an appeal on the grounds of law, it will be important to thoroughly prepare and provide the Patent Court with arguments as to why such an appeal should be admitted.

In addition, these cases indicate that it makes sense to have parallel union trademarks and national trademarks for valuable assets in order to avoid placing all eggs in one basket. The question of whether or not the Federal Court of Justice of Germany is trying to develop – under the radar of the ECJ – a model that – compared to the EU trend – is less formal and takes the time to thoroughly consider the merits of the individual cases will most probably remain a matter of gossip and speculation.

# ALL SORTS OF COLOURS AND SHAPES: A SUMMARY OF NON-TRADITIONAL MARKS

## Case reference

(European) General Court | Joined Cases T-101/15 and T-102/15

*Red Bull v EUIPO*

30 November 2017

## Application

### EUTM (colour mark)



- energy drinks (32)

Protection is claimed for the colours blue (RAL 5002) and silver (RAL 9006). The ratio of the colours is approximately 50% - 50%.

### EUTM (colour mark)



- energy drinks (32)

The two colours will be applied in equal proportion and juxtaposed to each other. Blue (Pantone 2747C), silver (Pantone 877C).

## Summary

The (European) General Court held that neither of Red Bull's registrations for blue/silver colour combination trade marks were valid. The marks at issue were registered on the basis of acquired distinctive character through use.

However, in 2011, Optimum Mark sp. z o.o. requested that both Red Bull trade marks be declared invalid. This request was granted by the EUIPO's Cancellation Division, Red Bull's appeal was dismissed by the First Board of Appeal and now the General Court has upheld the previous decisions.

The General Court found the Red Bull marks to be invalid because they do not fit the requirements of a trade mark.


In essence, the Court's reasoning was that "the mere indication of the ratio of the two colours blue and silver" which "allowed for the arrangement of those colours in numerous different combinations" did not "therefore constitute a systematic arrangement associating the colours in a predetermined and uniform way, producing a very different overall impression and preventing consumers from repeating with certainty a purchase experience."

The Red Bull decision was based on the old EU trade mark law (before the requirement for graphic representation was removed) but, as the Court highlighted, the new law is more restrictive than the previous wording, insofar as it expressly incorporates the objectives identified in Sieckmann (a sign must be clear, precise, self-contained, easily accessible, intelligible, durable and objective). This surprised many people, who thought that the new wording had been intended to liberalise EU trade mark law.





**Opinion of Advocate General Szpunar | Case C-163/16**  
***Christian Louboutin v Van Haren Schoenen BV***

6 February 2018

Application	Summary
<p><b>Benelux trade mark (colour mark)</b></p>  <p>- high-heeled shoes (other than orthopaedic footwear) (25)</p> <p>The trade mark is described as consisting “of the colour red (Pantone 18 1663TP) applied to the sole of a 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)”.</p>	<p>Advocate General Szpunar has given a second opinion on the classification and potential invalidity of high end shoe designer Christian Louboutin’s red sole trade mark.</p> <p>In his first opinion, he expressed the view that the mark should be classified as “a mark consisting of the shape of the goods and seeking protection for a colour in relation to that shape” rather than a mark consisting of a colour per se (i.e. a colour mark). Accordingly, he found that Louboutin’s trade mark potentially falls in the absolute ground for refusal or invalidity contained in Article 3(1)(e)(iii) of the of the Trade Marks Directive (2008/95/EC), which prohibits the registration of shapes giving substantial value to the goods.</p> <p>In his second opinion the Advocate General maintains that view, finding that the introduction of the concept of a “position mark” under the Implementing Regulation (2017/1431/EU) has no bearing on the applicability of that prohibition.</p> <p>However, the good news for Louboutin is that the Advocate General also maintains his view that the concept of shape which “gives substantial value” relates only to the intrinsic value of the shape and not to the reputation of the mark or its owner.</p> <p>An Advocate General’s opinion, even a second one, is far from determinative. Even if the CJEU agrees with his every point it is for the national court to decide whether the colour red on the sole of a shoe really does give it substantial value without taking into account Louboutin’s reputation. And Louboutin’s position, of course, is that, if anything, it is Louboutin’s reputation that makes the red colour on the soles of their shoes an element that gives them substantial value.</p>

**(European) General Court | Cases T-404/16 and T-418/16**  
***Galletas Gullón SA v EUIPO***

23 October 2017

Application	Summary
<p><b>EUTM (figurative mark)</b></p>  <p>- Biscuits (30)</p> <p>Registration sought for three-dimensional sign (reproduced above) for which the colours blue, green, red, white, yellow and black were claimed</p>	<p>In two separate judgments, the (European) General Court has annulled two EUIPO Board of Appeal decisions which revoked for lack of genuine use a Spanish biscuit manufacturer’s 3D EUTMs consisting of the packaging of a packet of biscuits in differing colour schemes and featuring the word “O2”.</p> <p>Although there were differences between Galletas Gullón’s EUTMs as registered and as used, the General Court found that those differences did not alter the distinctive character of those marks as registered. As such, Galletas Gullón’s use of its EUTMs constituted use within the meaning of Article 15(1)(a) of the EU Trade Mark Regulation (207/2009/EC) (now 18(1)(a) of the new EU Trade Mark Regulation (2017/1001/EU)).</p>
<p><b>EUTM (figurative mark)</b></p>  <p>- Biscuits (30)</p> <p>Registration sought for three-dimensional sign (reproduced above) for which the colours red, green, white, yellow, brown, black and beige were claimed</p>	<p>Furthermore, contrary to the Board’s finding, the evidence showed that Galletas Gullón had put its two EUTMs to genuine use during the relevant five-year period within the meaning of Article 51(1)(a) (now Article 58(1)(a)).</p>

# ALL SORTS OF COLOURS AND SHAPES: A SUMMARY OF NON-TRADITIONAL MARKS (CONT/...)

## Case reference

The Court of Justice of the European Union | Case C-417/16

*P August Storck KG v EUIPO*

4 May 2017

### Application

#### International trade mark designating the EU (figurative mark)



Figurative sign (reproduced above), representing the shape of a white, grey and blue square-shaped packet.

- Confectionery, chocolate, chocolate products, pastries, ice-creams, preparations for making the aforementioned products, included in this class (30)

### Summary

The Court of Justice of the European Union has up-held the General Court's decision that a 2D shape mark, namely a figurative sign representing the shape of a square packaging featuring white and grey edges and a combination of the colours white and blue, was devoid of distinctive character pursuant to Article 7(1)(b) of the EU Trade Mark Regulation (207/2009/EC).

According to the CJEU, when assessing the distinctive character of a 2D or 3D shape mark consisting of the appearance of the product which it designates for the purposes of Article 7(1)(b), it is necessary to determine whether that mark departs significantly from the standard or customs of the sector. That standard applies even when a 2D or 3D shape mark contains a figurative element.

## Case reference

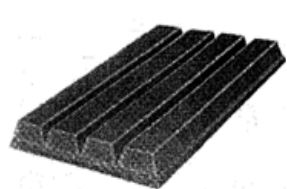
Opinion of Advocate General Wathelet | Joined Cases C-84/17 P, C-85/17 P and C-95/17

*Appeals brought by Nestlé, EUIPO and Mondelez*

19 April 2018

### Application

#### EUTM (3D mark)



- Sweets; bakery products, pastries, biscuits; cakes, waffles (30)

### Summary

In this 16-year dispute between Swiss confectionary giant Nestlé and rival Mondelez, the owner of Cadbury, the Advocate General has said that the CJEU should dismiss both parties' appeals against the (European) General Court's decision to annul the EUIPO's decision to grant Nestlé a trade mark for the "four-fingered" Kit Kat.

Mondelez complained that the General Court found that the mark at issue had acquired distinctive character through use in Denmark, Germany, Spain, France, Italy, the Netherlands, Austria, Finland, Sweden, and the UK. The Advocate General said this complaint was "manifestly inadmissible and must be dismissed".

However, the Advocate General also said that account must be taken of the geographical size and the distribution of the regions in which acquired distinctive character has been established. He noted that, although Nestlé provided market research for the majority of the Member States (apart from Luxembourg), it was clear from the previous judgment that the information provided was not sufficient to establish that the relevant public in those countries identified Nestlé as the commercial origin of the product covered by the trade mark at issue.

## Case reference

(European) General Court | Case T-36/16

*Enercon GmbH v EUIPO*

3 May 2017

## Application

## Summary

**EUTM  
(colour mark)**

Wind energy converters, and parts therefor (7)

In a dispute between rival wind energy manufacturers, the General Court has found that Enercon's EUTM, which was composed of white and of five shades of green, was devoid of distinctive character within the meaning of Article 7(1)(b) of the EU Trade Mark Regulation (207/2009/EC) and therefore invalid.

While the judicial history of this dispute indicates there was some confusion over whether Enercon's EUTM was a colour mark or a 2D shape mark composed of colours, the General Court has since clarified that what you tick on the application for registration is what you get. Accordingly, since Enercon identified its mark as a "colour mark" in its application, its mark could not later be re-categorised as a 2D shape mark and the distinctive character of its mark had to be assessed as a colour mark.

The problem with colour marks is that although colours can trigger certain associations and feelings, they possess little inherent capacity for communicating specific information, especially since, on account of their appeal, they are commonly and widely used to advertise and market goods and services without any specific message. Though Enercon's mark contained five different shades of the colour green along with the colour white, its choice of green was nevertheless problematic since that specific colour is often associated with being environmentally friendly and wind power is a form of renewable, clean energy. As such, the relevant public was unlikely to perceive the various shades of green in Enercon's mark as an indication of commercial origin.

The case draws attention to the important role that categorising the mark in the application for registration plays in the assessment of distinctiveness. According to the General Court, distinctiveness should be assessed based on the category selected by the applicant in the application for registration and not on all potentially relevant categories as perceived by the relevant public.

## Case reference

(European) General Court

Case T-291/16

*Anta (China) Co Ltd v EUIPO*

5 April 2017

## Application

**EUTM  
(figurative mark)**

– various goods in classes 18, 25 and 28

## Summary

The (European) General Court upheld a EUIPO Board of Appeal decision that a figurative sign consisting of lines of irregular width intersecting at an acute angle lacked distinctive character and was therefore not registrable as an EU trade mark for clothing, games and leather goods. The court agreed with the Board that the relevant public, which could not be presumed to be particularly critical in their analysis of these types of goods, would perceive the sign as "an ordinary decorative element".

## Case reference

(European) General Court | Case T-44/16

*Novartis v EUIPO*

31 January 2018

## Application

## Summary

**EUTM (figurative mark)**

– Pharmaceutical preparations for the treatment of dementia of the Alzheimer's type (5)

In dismissing the appeal filed by Novartis, the European General Court ruled that an overall assessment of the mark was not necessary as all the essential characteristics of the mark served a technical result.

The essential characteristics of the contested mark were: (i) the square shape of the protective line; (ii) the overlapping protective plastic layer, represented by the white stripe in the background of the mark; (iii) the circular area in the centre; and (iv) the arrangement of knobs around the central circular area.

In the Court's view, the Board had correctly found that the square shape of the protective liner had a technical function by facilitating the packaging and storage of the transdermal patches in rectangular cardboard boxes (the type most commonly used for packaging and storage in the medical field). The overlapping protective plastic layer allowed easy application of the patch and the circular shape of the patch ensured that it fixed to the skin. Novartis failed to show that the arrangement of the knobs around the circular area was decorative or imaginative but rather merely followed the round, functional shape of the patch.



# NEWS SNIPPETS

**The subtlety of the assessment of the overall impression given by opposing signs for the purposes of determining likelihood of confusion is illustrated by a recent decision of the General Court (Starbucks Corp v EUIPO; T-398/16).**

Ms Hasmik Nersesyan filed an application for registration of the figurative sign shown to the right as an EU trade mark for “Services for providing drinks” in Class 43:



The application was opposed by Starbucks, based on a number of EU and national figurative marks, including a UK mark. One of the EU marks, registered in 1999, is shown to the right:



The EUIPO's Opposition Division rejected the opposition in its entirety. The Fourth Board of Appeal upheld that decision finding that “overall, the marks [were] dissimilar”. Starbucks applied to the General Court to annul the Board's decision.

The court said the Board was wrong to find that Starbucks' earlier device marks were dissimilar. On that basis the Board was also wrong not to carry out an assessment of likelihood of confusion under Article 8(1)(b) of the EUTMR and not to consider whether the average consumer would establish a link between the opposing marks for the purposes of unfair advantage or dilution under Article 8(5) of the EUTMR.

While distinctive and dominant elements are key, descriptive elements should not necessarily be discounted altogether. Once the Board had decided that there was no similarity at all between the opposing signs where in fact there was some (regardless of whether that was sufficient to give risk to a likelihood of confusion), it was bound to compound that error by failing to assess whether the average consumer would make a connection between the signs for the purposes of Article 8(5) based on some similarity and other relevant factors such as the reputation of the earlier mark.



**Care to take a punt on whether the term bet365 can be protected as an EU trade mark? It's been an ongoing question for over a decade, and recently reached the European General Court for consideration (bet365 Group v EUIPO; T-304/16).**

Registration of a EUTM in respect of the word mark BET 365 was sought by bet365 Group (a gambling and betting company established in the United Kingdom) for gambling and betting services in Class 41, along with a wide range of goods and services linked to gambling and betting in Classes 9, 28, 35, 36 and 38.

Initially, the application was rejected because the examiner thought that the average English-speaking consumer would understand that the term bet365 referred to the availability of “all-year-round betting”. It was later accepted for registration but, shortly afterwards, the intervener in the present action (a German individual named Robert Hansen) challenged it for invalidity, on the basis that it lacked distinctiveness and was descriptive.

The court decided to limited the territorial scope of the exercise to Member States in which a large part of the consumers spoke or understood English (Chocoladefabriken Lindt & Sprüngli v OHIM; Case C-98/11 P applied).

The court found that the Board had paid insufficient attention to the evidence and the specific uses made, especially the evidence that showed how the public would perceive the use of bet365 in the domain name [www.bet365.com](http://www.bet365.com). The court said that “it is reasonable to consider that, except with regard to certain new players or betters for whom the experience is new, a customer who connects to the applicant's website at [www.bet365.com](http://www.bet365.com) does not do so by chance and uses the contested mark or its derived marks to identify services offered by the applicant, as opposed to services offered by its competitors,



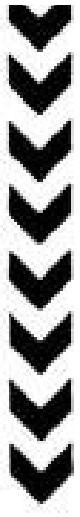
*in the same way as a customer returning to a shop whose sign corresponds to the mark of the goods and services that he is looking for, which are sold there”.*

The court found that the website analytics together with the press releases, market share and financial figures, showed that use as part of the domain name was sufficient to demonstrate acquired distinctiveness for their main activities, namely betting and gambling services (and other gambling activities in class 41). Accordingly, the court annulled the Board of Appeal’s decision in respect of class 41.

This partial annulment of the Board’s decision illustrates that the General Court recognises that, when it comes to assessing a mark that could be descriptive in English, an unduly significant burden could be placed on the applicant should they have to prove acquired distinctiveness in all Member States in which the relevant public has, in the words of the EUIPO, “*at least passive knowledge of English*”. On the flip side of the coin, this decision also shows the importance of giving as much supporting information concerning the extent of use as possible, given that the EUIPO and the court both require a certain level of detail in order to satisfy the threshold; for example, bet365 submitted details of its advertising at football grounds, which it said was seen in the whole of the European Union on television. However, the Board and the court rejected this evidence, on the basis that it did not in fact provide sufficiently precise information concerning the broadcasting of that advertising in various countries of the European Union: “*All that is indicated is overall broadcast transmission times for the whole of the European Union, which does not allow any distinction to be made between countries*”. Although they were unable to show acquired distinctiveness for the rest of the wide range of goods and services applied for, this decision still gives the bet365 Group Ltd protection for their core business.

**The meaning of “establishment” for the purposes of the EU Trade Mark Regulation (207/2009/EC) (“EUTMR”) jurisdiction provisions was interpreted for the first time by the Court of Justice of the European Union (CJEU) in a David and Goliath dispute between sportswear manufacturers (Hummel Holding A/S v Nike Inc, Nike Retail BV; C-617/15).**

The Danish sports and leisure apparel company, Hummel Holding AS, owns the following international trade mark (EU), registered for “*Clothing, footwear and headgear*” in Class 25 (the “chevron mark”):



Hummel brought an action before the German courts against the Nike Group for selling sportswear items, particularly basketball shorts, which it claimed infringed its trade mark. The problem it faced was that, under Article 97(1) EUTMR, in order for the German courts to declare jurisdiction to hear about the infringement committed in the whole territory of the EU, the defendant should be domiciled or have an establishment in Germany. However, in this particular case:

- Nike Retail BV (domiciled in the Netherlands) operated the website [www.nike.co/de](http://www.nike.co/de) (on which Nike products were advertised and offered for sale in Germany and elsewhere) and supplied independent dealers who sold Nike products in Germany.
- The Nike Group had no companies in Germany which directly conducted wholesale or retail services.
- Based in Frankfurt, Nike Deutschland GmbH (a subsidiary of Nike Retail) provided pre- and post-sale services.

The German Regional Court found that it had international jurisdiction with respect to the entire EU on the basis that Nike Deutschland was an establishment of Nike within the meaning of Article 97(1), thereby creating a link between the US defendant and Germany.

Hummel appealed to the German Higher Regional Court, who sought guidance from the CJEU.

Since a defendant, who was not domiciled in the EU, could have one or more establishments in the EU, the CJEU reasoned that legal proceedings may be issued in those courts where the defendant’s establishments were located.

The CJEU agreed with the Advocate General’s opinion that the notion of “establishment” for the purpose of Article 97(1) implemented the basic rule of jurisdiction set out in recital 11 and Article 2(1) of Regulation 44/2001 (“Brussels I”), namely that jurisdiction is generally based on the defendant’s domicile.

continued next page

# NEWS

## SNIPPETS (CONT/...)

The CJEU concluded that a legally distinct second tier subsidiary (with its seat in a Member State) of a parent body (with no seat in the EU) was an “establishment” for the purposes of Article 97(1) of the EUTMR, where that subsidiary was a centre of operations which, in the Member State where it was located, had a certain real and stable presence from which commercial activity was pursued, and had the appearance of permanency to the outside world, such as an extension of the parent body.

There is a clearly a balance to be struck here between on the one hand strengthening the rights conferred by the EU trade mark, and on the other hand reducing options for so-called “forum shopping” in trade mark infringement cases.

This decision makes it arguably easier for EUTM owners and owners of international marks designating the EU, to commence proceedings for trade mark infringement against companies with a tiered corporate structure, specifically those with a parent company located outside the EU and a legally distinct second-tier subsidiary within the EU. Although there is a difference between a first-tier and a second-tier subsidiary with respect to corporate structure, when it comes to international jurisdiction under European trade mark law what matters is whether that subsidiary is a centre of operations.

For those non-EU multinationals that have several “establishments” in multiple Member States, the present case presents a risk in that it increases forum shopping

options and also a certain amount of unpredictability, given that there is no additional requirement that a qualifying second-tier subsidiary needs to have participate in the alleged infringement. For example, in this particular case, Nike Inc. may be sued in Germany for infringements committed by Nike Retail although no infringement was committed by its German subsidiary, Nike Deutschland.

**The issue of jurisdiction raised its head again in another referral to the CJEU, this time by the English Court of Appeal (AMS Neve Ltd v Heritage Audio SL [2018] EWCA Civ 86).** In this particular case, the question was can you sue someone based in another EU Member State for trademark infringement in the UK if they advertise and offer for sale products bearing your trade mark through a website targeted at the UK? If it's a UK trade mark, then it's crystal clear that you can. If it's an EU trade mark, however, the situation is muddier.

The claimants (collectively “AMS Neve”) are based in England where they make a range of audio equipment which they sell in the UK and elsewhere. They own an EU trade mark in the form of the digits “1073” and two other logo marks registered in the UK incorporating a stylised sine wave, all registered for goods in Class 9 associated with sound recording and processing.

The defendants (collectively “Heritage Audio”) are based in Spain where they also sell audio equipment. However, they have a website (“the Heritage Audio website”), which AMS Neve claimed was targeted at the UK and the wider EU market.

Back in October 2015, AMS Neve issued proceedings for trade mark infringement and passing off on the grounds that Heritage Audio was manufacturing and selling a look-and-sound-a-like “1073” on its website:



The Heritage Audio website stated: *“The name says it all – first introduced by Neve in 1970..... We are proud to introduce what, to our knowledge, is the most historically accurate reproduction ever made. Using the same components, specifications and equally important, same time consuming construction techniques, our 1073 looks and sounds as good as a Rupert Neve era 1073 module and will last as long”.*

At first instance ([2016] EWHC 2563 (IPEC)), Judge Hacon held that a distinction had to be drawn between, on the one hand, UKTMs and passing off and, on the other hand, EUTMs. In respect of the UKTMs and passing off, the judge found that the IPEC did have jurisdiction to hear the claims pursuant to the special jurisdiction provisions of Article 7 of the Recast Brussels Regulation (1215/2012/EU). However, in relation to the EUTM, the judge held that the position was governed by the EUTMR.



**Merck KGaA v Merck Sharp & Dohme Corp [2017] EWCA Civ 1834 (24 November 2017).**

In its recent decision in *Merck KGaA v Merck Sharp & Dohme Corp*, the Court of Appeal considered the question of whether a website (or part of it) was “targeted” at the territory in question and provided useful analysis and clarification of the approach to be taken in relation to trade mark infringement and online targeting, particularly in the context of global websites with UK specific content.

On appeal from a decision of Norris J concerning a dispute about the use of the word “Merck” in connection with the parties’ respective pharmaceutical businesses, the Court of Appeal held that the judge was entitled to find that the defendants had breached a coexistence agreement by using “Merck” in the UK as a business name

and as a trade mark in an impermissible way, and had infringed UK registered trade marks for MERCK. In particular, the judge was entitled to find that the defendants’ websites and social media activities had been targeted at users in the UK. However, Lord Justice Kitchen found that the judge had failed to assess the full extent of the trade mark infringement by failing to consider all uses of the word “Merck” by the defendants and whether the use was in fact *de minimis* and so not actionable. Kitchen LJ also found that the judge had denied the defendants an opportunity to make representations about the granted injunctive relief, and failed to give adequate reasons for making an order in the terms that he did. Accordingly, the case was remitted to the High Court for reassessment.

This judgment illustrates the current case law position on the issue of targeting. Merck US conducted their

healthcare business in many countries around the world, including the UK, and that business was at all material times supported and promoted by the websites in issue. Those websites constituted an integrated group, accessible by and directed at users in the UK and other countries in which Merck US traded. Moreover, the social media activities of Merck US were also integrated with and supportive of the websites and Merck US’s business generally and were directed at persons and businesses in the UK in just the same way as the websites.

On appeal, Lord Justice Kitchen took a different view. He considered it “strongly arguable” that the IPEC did have jurisdiction, in its capacity as an EU trade mark court, to hear a claim of EUTM infringement based on the advertisement and offer for sale in the UK through a website of audio products bearing the offending sign. The acts complained of, he said, had been performed within the territory of the Member State in which the court was situated.

However, as the meaning of “the Member State where the act of infringement has been committed” in Article 97(5) of the EUTMR had not been decided by the CJEU, Kitchen LJ decided to refer the following questions to the CJEU for a preliminary ruling:

*“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:*

- 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?
- 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?
- insofar 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?”

The outcome of this case is of vital importance for TM owners, as confirmation of the proposal that

the advertising and offering for sale of products bearing their marks on a website targets a particular jurisdiction can constitute the commission of an infringing act within that jurisdiction for the purposes of Article 97(5) of the EUTM would clear the way for TM owners to take action through the English courts against operators based in other Member States.

# NEWS SNIPPETS (CONT/...)

## **Merck KGaA v Merck Sharp & Dohme Corp [2017] EWCA Civ 1834 (24 November 2017).**

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This judgment illustrates the current case law position on the issue of targeting. Merck US conducted their healthcare business in many countries around the world, including the UK, and that business was at all material times supported and promoted by the websites in issue. Those websites constituted an integrated group, accessible by and directed at users in the UK and other countries in which Merck US traded. Moreover, the social media activities of Merck US were also integrated with and supportive of the websites and Merck US’s business generally and were directed at persons and businesses in the UK in just the same way as the websites.

## **Can a pre-IP Translator, pre-Praktiker registration for the Class 35 heading be regarded as protected for retail services?**

What’s the legal effect of the EUIPO’s Communication No. 2/12 on unamended old specifications? Can the use of only the figurative element of a figurative mark really constitute genuine use? Such questions were considered by the CJEU, in the course of their dismissal of the EUIPO’s appeal against a decision by the General Court in an opposition case concerning the figurative EUTM shown below for goods and services in Classes 31, 39 and 44:

### **CACTUS OF PEACE**

### **CACTUS DE LA PAZ**

Cactus SA, a Luxembourg company, opposed the application based on its earlier EUTM registrations for the word mark CACTUS (registered in 2002) and figurative EUTM for

CACTUS (registered in 2001):



The earlier Cactus marks covered a variety of goods and services, including “Advertising, business management, ... business administration, office functions...” services in Class 35.

In 2011, the Opposition Division upheld the opposition. However, the EUIPO’s Second Board of Appeal dismissed the opposition in its entirety. Cactus applied to the General Court to annul the Board’s decision.

The General Court annulled the Board’s decision to reject the opposition on the grounds that a number of services in Class 35 (retail trade of plants, flowers and grains, among others) did not fall within the scope of the mark CACTUS. The General Court also annulled the

## **Failure to assess the strength of an earlier mark proved fatal for the Board of Appeal in a recent decision of the General Court (PP Gappol Marzena Porczyńska v EUIPO; T-411/15 PP).**

In June 2009, Gappol applied to register the following figurative sign as a EUTM for furniture in Class 20 and various types of clothing in Class 25:



Gap opposed the application on the basis of several earlier word marks and figurative marks including the EU word mark GAP, registered for “Clothing, footwear, headgear” in Class 25.

Partially upholding the opposition, the General Court confirmed that there was a likelihood of confusion between the marks and that the Board had therefore correctly refused registration insofar as it concerned various types of clothing in Class 25. The marks were of average visual and phonetic similarity, thanks to the shared element “gap”. For the part of the relevant public who understood English or Swedish, the marks were also conceptually similar since gap means “a space between two things” in English and “open mouth” in Swedish.

Crucially, the General Court noted that the Board did not specify the strength of the earlier mark’s reputation and failed to identify the degree of distinctiveness of the earlier mark. As a result, the

Board's decision to reject the opposition that there was no genuine use in Class 31 (plants, flowers and grains).


EUIPO appealed, claiming that the General Court had erroneously interpreted the judgments in Case C-307/10 IP Translator and Case C-418/02 Praktiker Bau, by ruling that those decisions did not have retroactive effect.

In the opinion of the CJEU, the General Court had correctly ruled that the case-law resulting from the judgments did not apply to earlier marks, and so could not alter the scope of protection of the earlier marks. IP Translator provided clarification only on the requirements relating to new EU trade mark registration applications, and so did not concern trade marks that were already registered, such as the CACTUS word mark and the CACTUS figurative mark

It followed that the General Court had been right to hold that, for the earlier CACTUS trade marks, the designation

of the class heading of Class 35 of the Nice Agreement covered all the services included in that class, including services consisting of the retail of goods.

The EUIPO also argued that the General Court's ruling on genuine use breached Articles 42(2) and 15(1) EUTMR, because the General Court had found that the use of an abbreviated form of the figurative mark, which omitted the word element, did not alter the distinctive character of the figurative trade mark as registered:

Trade mark as used	Trade mark as registered
	

As to genuine use, the CJEU held that the use of a trade mark in a form that differed from the form in which it was registered was regarded as use within the meaning of Article 15(1), provided that it did not alter the distinctive character of the mark. By not imposing

strict conformity between the form in which the trade mark was used and the form in which the mark was registered, Article 15(1) allowed the mark to be better adapted to the marketing and promotion requirements of the goods or services concerned.

In this latest decision, the CJEU had now confirmed that the authority derived from the judgment in *IP Translator* does not affect trade mark registrations that were already made on the date of the judgment and that the scope of protection for such marks could not be altered by a non-binding communication on EUIPO practice, i.e. Communication No 2/12.

In addition, this decision sets a case law precedent for genuine use. Although the word element of a figurative mark is usually seen as the dominant element, the CJEU has made it clear that this does not apply to all cases; particularly in instances where the verbal and figurative elements convey the same meaning.

Board had failed to rule on factors that must be considered as part of the application of Article 8(5). The General Court therefore annulled the Board's decision insofar as it upheld the opposition for "furniture" in Class 20 on the basis of Article 8(5).

The degree of similarity between the respective marks and goods or services, and the degree of distinctiveness and reputation enjoyed by the earlier well-known mark are factors that must be assessed in a reputation-based trade mark infringement case. The Board effectively skipped a step, and the General Court confirmed that was not the way to go about applying Article 8(5). The Board's failure to assess the strength of the reputation and degree of distinctiveness of the GAP mark were fatal omissions. Owners of reputable brands should note the

consequences of letting that happen in instances where, in the words of the court, *"assessment of the link between the signs at issue is likely to vary according to the strength of the reputation"*.

Also, the General Court pointed out that, although the use of a well-established brand name for a new product or new product category might be regarded as common-place in the real world, such "brand-extension" does not mean that there will be a close proximity between the relevant goods as far as the law is concerned. Irrespective of the fact that several reputable trade marks have extended their range from clothing to furniture under the same trade mark, the General Court explained that *"furniture" in Class 20 and "clothing, footwear, headgear" in Class 25 are "not complementary and it is not*

*common for them to be offered for sale in the same retail outlets or, in the case of sales in department stores, in the same departments"*.





# NEWS

## SNIPPETS (CONT/...)

**In a dispute between two tyre giants, the Court of Justice of the European Union held that a slightly stylised single letter X, although only weakly distinctive, could still prevent the registration of Continental's stylised XKING mark on the basis of a likelihood of confusion with Michelin's earlier French "X" figurative mark (Continental Reifen Deutschland v Compagnie générale des établissements Michelin; C-84/16 P).**

Continental Reifen Deutschland (Continental) applied to register the following figurative sign, as revised and amended, for "Tyres; Inner tubes for tyres" in Class 12:



Michelin opposed the application based on, amongst others, its earlier French figurative mark for "Envelopes, inner tubes for pneumatic tyres" in Class 12, as shown below:



EUIPO's Opposition Division upheld the opposition, but EUIPO's Fourth Board of Appeal

allowed Continental's appeal and rejected the opposition in its entirety. However, Michelin won before the General Court.

It was not disputed that the relevant goods were highly similar or identical. The CJEU dismissed Continental's attempts to reargue the General Court's finding that the marks had an average degree of visual and phonetic similarity and, in doing so, essentially upheld the General Court's decision that the marks had an average degree of similarity. The CJEU accepted Continental's contention that the General Court distorted certain evidence submitted by Michelin regarding the interpretation of the stylised letter "x" in its earlier French trade mark: the evidence clearly indicated the stylised letter "x" was used, whether in isolation or in combination with other letters, to designate a technical characteristic of Michelin tyres, namely their tread pattern. The CJEU also accepted that, since the General Court based its assessment of the inherent distinctiveness of the earlier French trade mark on distorted evidence, it erred in law and had been wrong to find that that mark had a normal distinctiveness.

However, the CJEU went on to point out that an error in law by the General Court did not invalidate the judgment under appeal if "the operative part" of that judgment was well founded on other legal grounds.

Continental's successful challenge of the General Court's assessment of the inherent distinctiveness of the stylised "x" in Michelin's French trade mark effectively had little traction, as the CJEU decided that its error in law regarding the distinctiveness of the earlier mark "could not lead to the setting aside of the judgment" and was "irrelevant".

Practically speaking, Michelin's single letter (albeit stylised) trade mark was found to have a broad monopoly. Referring to Case C-265/09 P OHIM v BORCO-Marken-Import Matthiesen, the CJEU clarified that single letters are less likely prima facie to have distinctive character initially but that there is no general rule that the distinctiveness of such letters must, in all cases, be considered to be weak. Like any other mark, the distinctive character of a single letter must be assessed specifically by reference to the goods or services designated.

**The EU General Court had to consider the issue of consent in a dispute between Jerry Dammers (a keyboard player in the Ska band "The Specials") and Windrush Aka LLP over genuine use of the EU word mark THE SPECIALS.** Back in 2012, Windrush Aka LLP filed an application for revocation of the mark, on the grounds of lack of genuine use under Article 51(1) EUTMR. The EUIPO partially upheld the application and revoked the registration in respect of all classes, with the exception of "compact discs [audio video]" in class 9, on the grounds that the mark had been used with Jerry Dammers' consent by a third party, Chrysalis Records, and had been put to genuine use in connection with those goods. In reaching its decision the Board referred in particular to an agreement dated 8 June 1979 between Mr Dammers and other artists, on the one hand, and Chrysalis Records, on the other hand, from which it concluded that the use of the name "The Specials" by that company, giving rise to payment of royalties to Mr Dammers, had been made with Mr Dammers' consent.

Windrush appealed to the (European) General Court (Windrush Aka LLP v EUIPO; T-336/15) who rejected Windrush's case that letters and statements concerning royalties paid to Mr Dammers by third parties did not evidence genuine use with Mr Dammers' consent since he had assigned his rights in the band's name under that agreement.

The case is typical of the havoc-wreaking scimmages over the IP rights and goodwill subsisting in a band's name after the band has broken up and reformed. The only surprise is that it took so long to come to a head where the subtext in the General Court's judgment appears to be that Windrush believed Jerry Dammers did not have the right to register THE SPECIALS as an EU trade mark in the first place.

**On a reference from the Spanish Provincial Court of Alicante, the CJEU was asked to address the question of whether an absence of a likelihood of confusion in one part of the EU could be extended to another part of the EU where there was no peaceful coexistence (Ornua Co-operative Ltd v Tindale & Stanton Ltd España SL; Case C-93/16).**

The CJEU ruled that infringement of a sign in another EU member state couldn't be based solely on peaceful co-existence in Ireland and the UK, but rather must be made on a global assessment of all relevant factors.

The Irish trade association for dairy processors and dairy farmers, Ornua Co-operative Ltd ("Ornua") owns several EUTMs, including the word mark KERRYGOLD registered for goods in class 29, particularly butter and other dairy products, and the following figurative marks for the same class of goods (collectively, the KERRYGOLD EUTMs):



Back in 2014, the Irish Dairy Board Co-operative (Ornua's previous incarnation) commenced proceedings against Tindale & Stanton Ltd España SL (T&S), the Spanish importer and distributor of KERRYMAID margarine, which is manufactured in Ireland by Kerry Group plc, the owner of the national word mark KERRYMAID in both Ireland and the UK.

T&S claimed that the sign used by it in Spain was not similar to the KERRYGOLD marks and could not give rise to a likelihood of confusion since the element "Kerry" referred to an Irish county known for cattle breeding and so was an indication of geographical origin. It was common ground between the parties that the KERRYGOLD EUTMs and the KERRYMAID national trade marks had peacefully coexisted for some years in Ireland and the UK, but not in Spain.

The first instance court dismissed the infringement action. Ornua appealed to the Spanish Provincial Court of Alicante, which took the view that, if the peaceful coexistence between the KERRYGOLD EUTMs and the sign KERRYMAID in Ireland and the UK meant there was no likelihood of confusion in those two Member States, that did not rule out a likelihood of confusion between those marks and that sign in the other Member States.

The Spanish court asked the CJEU for a preliminary ruling, who CJEU held that:

- Article 9(1)(b) must be interpreted as meaning that the peaceful coexistence between an EUTM and a national mark in one part of the EU did not allow the conclusion that there was no likelihood of confusion in another part of the EU where that EUTM and the sign identical to that national mark did not peacefully coexist.
- If the market conditions and the sociocultural circumstances were not significantly different between

the part of the EU where the infringement action occurred and the part of the EU not covered by that action, the national court may consider the elements which are relevant for assessing whether the EUTM owner was entitled to prohibit the use of a sign in the part of the EU not covered by that action when determining whether that owner was entitled to prohibit the use of that sign in the part of the EU where the infringement action occurred.

- The peaceful coexistence between a EUTM with a reputation and a sign in one part of the EU did not constitute "due cause" legitimising the use of that sign in another part of the EU where that EUTM and that sign did not peacefully coexist.

This case highlights the interplay of peaceful coexistence, brought on by consent or acquiescence, and the rights conferred on the EUTM owner under Article 9 of the EUTMR, specifically in relation to likelihood of confusion. While EUTMs have unitary effect throughout the entire territory of the EU, the owner's acquiescence leading to coexistence in one part of the EU does not extend to "coexistence" in another part of the EU. This means that third parties using a sign identical or similar to a EUTM should be alert to the possibility that they could be liable for trade mark infringement in one part of the EU, even if they have the owner's acquiescence in another part of the EU.

**In a dispute between FinTech companies Hub Culture and PayPal-owned Venmo (PayPal Inc v EUIPO; T-132/16), the EU General Court has annulled a decision of the EUIPO Board of Appeal, and found that Hub Culture Ltd did act in bad faith when it applied to register the word VENMO as an EU trade mark (EUTM).**

In 2007, Hub Culture (a global social network service based in Hamilton, Bermuda) created "VEN", a virtual digital social currency which can be exchanged and traded either online or at physical premises operated by Hub Culture called "Pavilions". In 2009, Hub Culture secured registration for the word VEN as a US trade mark for financial

services in Class 36. Incidentally, Venmo Inc was established in the US in that same month. Venmo provides online payment services under the unregistered mark VENMO and allows individuals to complete transactions between themselves. More recently, Venmo was acquired by the worldwide online payment behemoth, PayPal Inc.

In essence, PayPal claimed that the Board of Appeal erred in annulling the Cancellation Division's decision on the ground that bad faith on the part of Hub Culture Ltd had not been established at the time of filing the application for registration of the word mark VENMO relating to goods in classes 9 (software) and 36 (financial tokens). The General Court upheld the claim.

According to the General Court, the Board had failed to take into account all the relevant factors in reaching its decision that there had been a lack of bad faith on the part of Hub Culture. Contrary to the Board's view, Hub Culture's registration of the sign VENMO did not follow a "logical commercial trajectory" from its subsisting rights in the US mark VEN. Rather, it was a defensive registration made with no intent to use and without notice to Venmo with whom it had a pre-contractual relationship: there was correspondence both in writing via their respective legal representatives and in person between the two parties. Immediately after meeting with Venmo for the first time, Hub Culture filed its application for registration without so

continued next page

# NEWS SNIPPETS (CONT/...)

much as informing them. What's more, Hub Culture had never used the VENMO mark, prior to registration or after it, and Venmo had not ruled out the possibility of "going global" sometime in the future.

The facts indicated that Hub Culture registered the word VENMO as a EUTM in order to block Venmo (now PayPal) from entering the EU market, rather than protecting its interests in its VEN trade mark. Given the sheer competitiveness of the FinTech industry, Hub Culture's efforts to register VENMO may have been seen, at least initially, as a clever move. Yet, the EUTM system is not built for defensive registrations. Rather, the registry is reserved for marks that are currently being used or, in due course, will be, and applies a "use-it-or-lose-it" principle as regards maintaining any given registration. As this decision illustrates, a mark registered with the sole objective of preventing a third party from entering the market fails to fulfil its essential function. In other words, such a mark cannot be protected as a trade mark.



**Would the use of a word mark in a trading name, such as "Technosport BMW" (see image of van), be likely to give the impression of a commercial connection between a trader and the brand owner associated with the mark?** That was the question before the Court in a recent UK appeal (*Bayerische Motoren Werke AG v Technosport London Ltd* [2016] EWCA Civ 779).

BMW brought a trade mark infringement and passing off claim against Technosport London Ltd, a company dealing in the repair and maintenance of cars (mostly BMWs), based in North West London, and against its sole director and shareholder, George Agyeton. The defendants had no formal connection with BMW. Three trade marks were relied on, all registered for, among other things, "maintenance and repair of cars etc" in Class 37: (i) an EU trade mark in the form of the letters BMW (the "BMW word mark") and; (ii) an EU trade mark for the BMW "roundel" and (iii) an international registration designating the EU of the "M logo":



The Court of Appeal found that the IPEC Judge had erred in deciding that BMW was required to adduce further evidence to establish that the juxtaposition of BMW with a dealer's name will convey the impression that the dealer is authorised. An assessment of whether such use was misleading as opposed to merely informative did not turn on proof that whenever the average consumer sees the dealer's name juxtaposed in any context with the BMW mark he assumes that it refers to an authorised dealer. The issue was whether that impression was conveyed by the sign Technosport BMW, or that there was a risk that it would be. Evidence of actual consumers was not necessary: *"Evidence of actual confusion is never a pre-requisite in an infringement or passing off action"*.

According to Floyd LJ, had the IPEC Judge considered the context in which the "Technosport BMW" signs were being used, then he would have inevitably come to the conclusion that that the use of the Technosport BMW signs was more than informative use and carried the risk that it would be understood as misleading use. Accordingly, the pleaded instances of use of the "Technosport BMW" signs in this case infringed the BMW word mark and constituted passing off.

This decision confirms that the use of a brand name to indicate the services provided by a business does not extend to the use of a brand in a trading name. The Court of Appeal has clarified that such a mark can be used by third parties on an informative basis, but it is important to bear in mind that, when used in combination with a third party sign "without more", the use is not informative enough. Additional and clear wording is required in order to avoid the risk that the consumer will not be misled, although as BMW conceded, "specialist" appears to be sufficient".



**Talking about consent in relation to online IP infringements, the High Court recently considered Google keyword advertising hosted on third parties' websites since *Interflora v Marks & Spencer*, and provided detailed guidance on issues of internet jurisdiction in trade mark cases (in *Argos Ltd v Argos Systems Inc* [2017] EWHC 231).**

The British retailer Argos Ltd ("Argos UK") brought a High Court claim against an American software company, Argos Systems Inc., for infringement of its trade marks and passing off in relation to use of the ARGOS name on Argos Systems Inc. in its domain name [www.argos.com](http://www.argos.com). In particular, Argos UK (which holds two EU trade mark registrations for the word mark ARGOS for, inter alia, retail and related services in Class 35) complained of Argos Systems Inc.'s use of the Google AdSense programme on its website. Argos UK also participated in Google advertising programmes and its own ads were among those that appeared on Argos Systems Inc.'s website.

The High Court dismissed Argos UK's infringement claim for the following reasons:

1. By agreeing to the Google AdSense terms of use, Argos UK consented to use of the sign ARGOS by Argos Systems Inc. in the domain name
2. The website [www.argos.com](http://www.argos.com) was not targeted at consumers in the UK, so Argos Systems Inc did not use the sign ARGOS within the UK.
3. Argos Systems Inc. was not using the sign ARGOS in relation to goods or services that were identical to those for which Argos UK's marks were registered .
4. Use of the sign ARGOS by Argos Systems Inc. did not adversely affect any of the functions of Argos UK's trade marks.
5. No case of link, detriment, or unfair advantage could be established.
6. The use of ARGOS was with due cause, since [www.argos.com](http://www.argos.com) had functioned as Argos Systems Inc.'s badge of origin in cyberspace at all times since January 1992.
7. Argos Systems Inc. could rely upon the own name defence.
8. Argos UK had failed to establish a material misrepresentation to the public and therefore there was no passing off.
9. The domain name [www.argos.com](http://www.argos.com) was not an instrument of fraud.

On the issue of consent, this decision illustrates the need to always be aware of the far reaching consequences of accepting online terms and conditions. In the present case, it was the consent given by Argos UK Ltd via the acceptance of those terms and conditions which proved fatal to its claim.

In *Caspian Pizza Ltd & Ors v Shah & Anor* [2017] EWCA Civ 1874, the claimants were unable to prevent the defendants from keeping a slice of the pizza pie action. The claimants were proprietors of a pizza restaurant chain in Birmingham, first set up in 1991 under the name CASPIAN. They obtained UK registrations for a word mark CASPIAN covering restaurant services, and a CASPIAN PIZZA device mark covering pizza toppings:



The defendants opened their first CASPIAN pizza restaurant in Worcester in 2002; this closed in 2005. They opened a second CASPAIN restaurant in 2004 (with subsequent ones following in the same area).

At first instance, the CASPAIN word mark was found invalid because the defendants had acquired sufficient goodwill in Worcester at the filing date to allow a passing off action. The defendants did not have any rights in the logo version, and so did not successfully invalidate this right at first instance. The claimants appealed the declaration of invalidity in respect of the word mark. They asked that their registration be amended to exclude Worcester, but the Court of Appeal indicated it was too late to request such a limitation: this should have been done during the application process. A cross-appeal by the defendants requesting invalidity of the logo mark was allowed, as due to the inclusion of the word CASPIAN, the court found no reason to distinguish this mark from the word mark.

This decision shows that prior local goodwill can serve as a defence, for the purposes of s 11(3), to trade mark infringement. Secondly, prior local goodwill, which is sufficient to bring a claim in passing off, can successfully attack the registration of a trade mark either during registration itself or sometime after registration. Accordingly, trade mark applicants must do their due diligence: searching the trade mark register for existing conflicting registrations is the usual and obvious first step, but it is important that applicants also consider businesses who might not own a trade mark but nevertheless have goodwill, particularly local goodwill.



# BLUE SKY THINKING: CAN LACK OF INTENTION TO USE A TRADE MARK CONSTITUTE BAD FAITH?

In this latest instalment in the trade mark battle between the media company Sky and the cloud management provider SkyKick (*Sky Plc & Ors v Skykick UK Ltd & Anor* (2018 EWHC 155), Mr Justice Arnold decided to refer questions to the CJEU on the issue of clarity and precision of specifications in light of the *IP Translator* case, and also on what constitutes filing an application in bad faith because, in his words, “[t]he case raises important issues of European trade mark law”. Arnold J found that, if the European trade marks for the word SKY were validly registered, then the defendants’ use of signs containing SKYKICK had infringed the SKY marks pursuant to Article 9(2)(b) of the Regulation/Article 10(2)(b) of Directive 2015/2436. The CJEU’s response may have significant implications for trade mark owners – particularly those holding very broad registrations.

### The Arguments

The claimants (collectively “Sky”) owned four European trade marks (a mixture of “SKY” word marks and the figurative marks shown below) and one UK trade mark (a “SKY” word mark) which covered a wide variety of goods and services (including “computer software”):



Sky complained that SkyKick had infringed the SKY trade marks under Article 10(2)(b) and Article 10(2)(c) of Directive 2015/2436 by using the signs “SkyKick”, “skyykick” and the figurative signs shown below:



SkyKick argued that the SKY trade marks were wholly or partly invalid on the grounds that the specification of the goods and services lacked clarity and precision (in particular, “computer software”), and that Sky had applied for the SKY marks in bad faith because it had not intended to use the marks across the full width of the specifications, contrary to its declaration under s 32(3) of the Trade Marks Act 1994.

### The Decision

In Judge Arnold J’s view, registration of a trade mark for “computer software” was too broad. In short, registration of a trade mark for “computer software” was unjustified and contrary to the public interest because it conferred on the proprietor a monopoly of immense breadth which could not be justified by any legitimate commercial interest of the proprietor.

In the *IP Translator* case, the CJEU provided guidance on how EUTM owners are required to specify the goods and services covered by their trade mark applications, particularly if they adopted the broad class headings for specifications under the Nice classification system. However, *IP Translator* concerned the rejection of EUTM applications which lacked clarity. The point regarding clarity which had been raised in the present case related to a different point, as it concerned marks that had already been granted and whether such marks could be declared invalid for lack of clarity.

Given that it could make a real difference to the outcome of this case if SkyKick were correct that the SKY marks were partly invalid on the basis that the relevant parts of the specifications were lacking in clarity and precision, Arnold J concluded that this was an issue of interpretation of the Directive on which it was necessary to seek guidance from the CJEU.

On the evidence, Judge Arnold concluded that Sky had not intended to use the marks in relation to all of the goods and services covered by the specifications and, in the case of the UK trade mark, Sky’s declaration in accordance with section 32(3) of the 1994 Act, namely that it intended to use the mark in relation to the specified goods and services was,

in part, false. Whether Sky made the applications for the EU trade marks in bad faith within the meaning of Article 51(1)(b) of Regulation 40/94, and if so whether the consequence was partial or total invalidity of the EU trade marks, depended on the resolution of questions referred to the CJEU.

#### Reference to the CJEU

Arnold J decided to refer questions to the CJEU concerning whether:

- a. an EU or national trade mark registered in a Member State could be declared wholly or partially invalid on the ground that some or all of the terms in the specification lacked sufficient clarity or precision to enable the competent authorities and third parties to determine the extent of the protection conferred by the trade mark;
- b. if so, a term such as “computer software” lacked sufficient clarity or precision to enable the competent authorities and third parties to determine the extent of the protection conferred by the trade mark;
- c. it constituted bad faith to apply to register a trade mark without

any intention to use it in relation to the specified goods or services;

- d. if so, an applicant could be found to have made an application partly in good faith and partly in bad faith if the applicant had intended to use the mark in relation to some of the specified goods or services, but had no intention to use the trade mark in relation to other specified goods or services; and
- e. s 32(3) of the 1994 Act was compatible with the Directive and its predecessors.

Nonetheless, Arnold J went on to consider the issue of infringement assuming that the SKY marks were validly registered in respect of the goods and services relied upon by Sky, and concluded that, if that was the case, then SkyKick had infringed the SKY marks pursuant to Article 9(2)(b) of the Regulation/Article 10(2)(b) of the Directive.

Arnold J found that the distinctive character of the SKY marks and the identity of SkyKick’s goods and services with some of those covered by the SKY marks supported the existence of a likelihood of confusion. The similarities between

the signs were such that the average consumer was capable of perceiving SKYKICK as a sub-brand of SKY, but whether that was likely depended in particular on the degree of care and attention exercised by the average consumer. In his judgment, IT professionals were unlikely to be confused given the fairly high degree of care and attention they would exercise, but there was a likelihood of confusion in the case of IT personnel and end users who downloaded the SkyKick Outlook Assistant, given the lower degrees of care and attention they would exercise.

However, Arnold J found that Sky failed to establish that SkyKick took unfair advantage of or diluted the distinctive character of the SKY marks so as to constitute infringement under Article 10(2)(c) of the Directive.



## Comment

Although the IP Translator decision did not prevent the use of class headings, it did state that some were too vague to meet the requirements for clarity and precision necessary for users to understand the extent of the right claimed in any given registration. Subsequent discussions between the Trade Mark Offices forming the European Trade Mark and Design Network (“TMDN”) (namely, EUIPO, the Offices of the Member States and the Norwegian Office) and users of the system resulted in the identification of a list of 11 class headings or parts of them (known as “General Indications”) that were not clear and precise, and so could not be accepted without further specification of the goods or services. “Computer software” is not currently on that list. However, in the present case, Arnold J expressed this view that the term “computer software” was too broad.

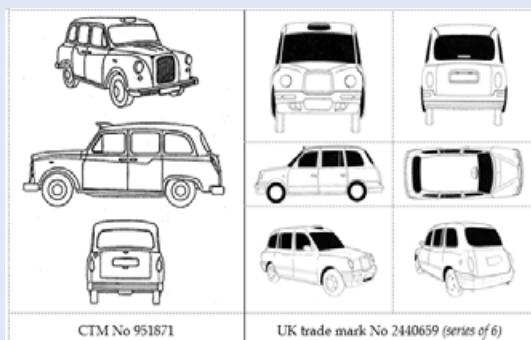
Hopefully, the references to the CJEU will answer the question of whether lack of clarity and precision of the specification be asserted as a ground of invalidity, as well as providing some much needed clarity on the issue of bad faith.

# SHAPE OF BLACK CAB FARES

## BADLY ON ROUTE TO REGISTRATION

Although shapes are theoretically capable of registration as a trade mark, actually registering and enforcing shapes as trade marks can be a bumpy ride where such marks consist of the shape of the product itself, even when those shapes are recognised by the public as iconic designs.

The London Taxi Corporation Ltd (LTC) manufactures the majority of the black cabs that are bought or rented by licensed cab drivers. In 2013, LTC acquired intellectual property rights relating to various models of black London cab, including a 3D Community trade mark that depicts the Fairway (introduced in 1989), registered in respect of “motor vehicles, accessories for motor vehicles; parts and fittings for the aforesaid” in Class 12 (“the CTM”; shown below left). LTC is also the registered proprietor of a 3D UK trade mark which depicts the TX1 (manufactured and sold between 1997 and 2002, and followed by later day versions culminating in the present day TX4), registered for “cars; cars, all being taxis” in Class 12 (“the UKTM”; shown below right).



The first defendant, Frazer-Nash Research Limited (“FNR”), carries out research and testing of new solutions for transportation. The second defendant, Ecotive Limited (“Ecotive”), manufactures and sells motor vehicles. Some years ago, the defendants began to develop the “Metrocab”.

The first version of the Metrocab was launched in 1986, and the design then evolved through various iterations to arrive at the new Metrocab (shown right).

LTC claimed that the similar design of the Metrocab would confuse drivers and consumers, and alleged



trade mark infringement and passing off.

At first instance, Judge Arnold concluded that LTC’s UKTM and CTM were devoid of distinctive character, and invalid. He also concluded that LTC’s CTM should be revoked for lack of genuine use. Even if LTC’s marks had been valid, Arnold J found that they were not infringed by the new Metrocab, and that the defendant’s marketing was in accordance with honest practices. He also dismissed a claim founded on the common law tort of passing off.

### The Arguments

No less than 26 grounds of appeal were considered but, as Lord Justice Floyd agreed that the judge had been right to find that LTC’s marks were invalid for lack of distinctive character, the Court of Appeal’s conclusions on the additional points were obiter. The following issues debated in this appeal are of particular interest:

- i. Was the average consumer in the present case (a) the taxi driver who purchased the cab or (b) the taxi driver who purchased the car together with members of the public who hired taxis?
- ii. Were the trade marks invalid because they were each devoid of distinctive character? This gave rise to two sub-issues: (a) inherent distinctive character and (b) acquired distinctive character.



## The Decision

The Court of Appeal agreed that the High Court had been correct to find that LTC's UKTM and CTM were devoid of distinctive character.

### The identity of the average consumer

Who was the end user of a taxi: was it the person driving the taxi or could it also include the person who rode in the back? Although it was common ground that taxi drivers and others who purchased taxis were to be treated as consumers of taxis, FNR and Ecotive submitted that taxi passengers, who merely hired and rode in taxis, were not.

The Court of Appeal found that the term "average consumer" included any class of consumer to whom the guarantee of origin was directed and who would be likely to rely on it, for example in making a decision to buy or use the goods. Against that background, it did not matter whether a user was someone who took complete possession of the goods, or someone who merely hired the goods under the overall control of a third party. The guarantee of origin which the mark provided was directed not only at purchasers of taxis but also at members of the public, such as hirers of taxis. The hirer is a person to whom the origin function of the vehicle trade mark might matter at the stage when he or she hired the taxi. The hirer was also a user of taxi services, so that any dissatisfaction with the taxi or its performance was likely to be taken up with the taxi driver or his company. Although the court did not have to reach a concluded view on this issue, the fact that it lent towards including people who use but do not buy the product as the relevant consumer is a welcome development for brand owners of certain goods.

### Distinctive character

The Court of Appeal found that, when considering whether a mark in the shape of a product departed significantly from the norm or customs of the sector, the test comprised the following three questions:

1. What is the sector?
2. What are the common norms and customs (if any) of the identified sector?
3. Does the shape mark in question depart significantly from those norms and customs?

Applying this three stage test in the present case, the sector was not limited to London licensed taxi cabs; it included private hire taxis, which could be any model of saloon car within reason, and not just models in production at the date of the application, but also those on the road and those which the average consumer could be expected to have seen.

When compared with the basic design features of the car sector (including, amongst other things, a superstructure carried on four wheels, a bonnet, headlamps, sidelights and parking lights and front grille), the court concluded that the marks at issue were no more than a variant on the standard design features of a car. The High Court judge had therefore been right to hold that the marks did not have inherent distinctive character.

With regard to acquired distinctive character, the Court of Appeal considered the appropriate test for acquired distinctiveness, namely it was not enough for a trade mark owner to show that a significant proportion of the relevant class of persons recognise and associate the mark with its goods. Instead, it must be shown that they perceive goods labelled with the mark as originating from a particular business and no other.

Although LTC had made an attempt to educate the public as to the trade mark significance of the shape – for example, by including adverts on the folding seats in the taxi to identify the manufacturer – the Court noted that members of the public were not used to the shape of a product being used as an indicator of origin. Also, even if taxi passengers were included as a class of average consumer (as well as the taxi drivers themselves), their focus would be on the provider of the taxi services (the driver) more than on the manufacturer of the vehicle. The High Court judge had been right to find that there was insufficient evidence from which it could be deduced that relevant consumers would perceive the shape of LTC's taxis as denoting vehicles associated with LTC and no other manufacturer.

## Comments

In the present case, the consumer's perception was key; mere association was not enough to get LTC safely home. In contrast to design rights, three dimensional shape marks have the potential to last indefinitely and, therefore, it is perhaps not surprising that the threshold of distinctiveness is set at a high level by the UKIPO and EUIPO, as well as the courts, in order to lessen the possibility of inappropriate monopolisation of shape marks. Accordingly, it is important when applying for a shape mark to highlight the distinctive elements of the shape; for example, by filing photographs rather than technical drawings in some cases.



## UK COURT DIARY

# GLAXO IS STILL PUFFED OUT

### If you are an asthma sufferer, you may be familiar with Glaxo's Seretide® Accuhaler® product.

Seretide® is a combination of two active ingredients which act in different ways to make it easier to breathe: fluticasone (an anti-inflammatory steroid medicine that reduces inflammation and mucus secretion in the lungs) and salmeterol (a long-acting bronchodilator that relaxes the muscles in the lungs).

Seretide® is sold by Glaxo in the UK in two product forms: a disc inhaler sold under the brand name Seretide® Accuhaler® and a metered dose inhaler shaped like a boot, sold under the brand names Seretide® and Evolhaler®.

Both products employ two shades of the colour purple, the darker shade of purple being the more prominent. In 2004, Glaxo filed a EUTM application to protect the two shades of light and dark purple that it uses on its Seretide® inhalers. The mark was granted in 2008 (as EUTM 3890126) and included a pictorial representation of the disc inhaler (as shown below) accompanied by a description which read:

*"The trade mark consists of the colour dark purple (Pantone code 2587C) applied to a significant proportion of an inhaler, and the colour light purple (Pantone code 2567C) applied to the remainder of the inhaler."*



The certificate of registration designated the mark with INID code 558, which covered marks consisting exclusively of one or more colours.

In December 2015 Glaxo issued proceedings against Sandoz claiming, amongst other things, that it infringed its trade mark by selling a generic version of Seretide® called AirFluSal® Forspiro®, shown below:



Sandoz counter-claimed that Glaxo's mark was invalid because it covered a multitude of different forms and so was not capable of being represented graphically as required by Article 4 EUTMR. It applied for summary judgment which was granted by HHJ Hacon. The judge declared the mark invalid on the ground that it did not satisfy Article 4 because it was not sufficiently precise and uniform; nor was it sufficiently clear and unambiguous. The judge found that while the written description was unambiguous as to

the shade of the dark and light purple colours, it was cast in very general terms as to the arrangement of those colours and there was therefore a discrepancy between the pictorial representation and that description. In the judge's view, anyone looking at the register would try to understand precisely what the mark consisted of but would be presented with "a puzzle" as to whether the form of the mark was (i) that in the pictorial representation, (ii) in any arrangement of colours meeting the written description or (iii) a mark having a pattern of dark and light purple colouring taking the form of any one of a number of abstractions which Glaxo had argued in proceedings in other jurisdictions and before the EUIPO to constitute the mark.

## The Arguments

On appeal, Glaxo contended that the judge had failed properly to interpret the mark and that, had he done so, he would or ought to have found that it had only one possible meaning, namely that it comprised the dark and light purple colours in the specific proportions and arrangement shown in the pictorial representation.

## The Decision

Kitchin LJ began with Article 4 of the EUTMR, which provides that an EU trade mark may consist of any sign “capable of being represented graphically” and which is capable of distinguishing the goods or services of one undertaking from those of another. In order to fulfil its function, the graphical representation must be such that the authorities and the public, including actual and potential competitors, can identify the sign clearly and precisely.

Further, Kitchin LJ explained, the graphical representation encompasses not just the pictorial representation of a sign but also any description which accompanies it. The mere juxtaposition of two colours, without shape or contours, or a reference to two or more colours “in every conceivable form” does not meet the requirements of precision and uniformity.

In Kitchin LJ’s view, the judge correctly held that the designation of Glaxo’s mark with INID code 558 meant that it was and would be understood to be a mark which consisted exclusively of one or more colours. It was, in short, a colour per se mark. It was not a two dimensional figurative mark having the appearance of the pictorial representation; nor was it a three-dimensional mark having a particular shape and coloured in a particular way. Further, anyone inspecting the register would understand that, as a colour per se mark, registered in respect of inhalers, it was at least

implied that it was not limited to the colours as applied to that particular shape of inhaler depicted in the registration.

Against this background, Kitchin LJ said, the issue for the public inspecting the register was how the mark would be understood. In Kitchin LJ’s view the judge was right to describe this as “a puzzle”.

Taking Glaxo’s interpretation that the sign of which the mark consisted was the precise arrangement of the dark and light purple colours shown in the pictorial representation, “spikes and all”, Kitchin LJ identified two major difficulties.

First, while INID code 558 implied that the sign was not limited to the colours applied to any particular shape of inhaler, it was difficult to understand how this particular arrangement of colours, including its spiky perimeter, could be applied to an inhaler with a different shape. The judge was entitled to consider this problem by reference to Glaxo’s boot shape inhaler. In Kitchin LJ’s judgment, it was impossible to say with any degree of certainty how the mark could be applied to that shape and any attempt to do so would be likely to produce a result which created a visual impression which was very different to that created by the pictorial representation. Secondly, this interpretation was not consistent with the verbal description which was put in more general terms.

Stepping back, Kitchin LJ said that the public, including economic

operators, looking at the certificate of the trade mark on the register, would be left in a position of complete uncertainty as to what the sign actually was. They would be left “scratching their heads”.

In Kitchin LJ’s judgment, the mark lacked the clarity, intelligibility, precision, specificity and accessibility that the law demands. Moreover, he had no doubt that it would not be perceived unambiguously and uniformly by the public. It also offended against the principle of fairness because the uncertainty as to what the subject matter of the mark actually was gave Glaxo an unfair competitive advantage. These deficiencies in the trade mark were compounded by the range of alternatives that the other possible interpretations encompassed, i.e. the “abstractions” interpretation and the interpretation that any proportions of the dark and light purple colours falling within the terms of the verbal description constituted the mark. Each of these allowed for numerous different combinations of the dark and light purple colours and as such neither of them exhibited the qualities of precision and uniformity required by Article 4.

Finally, Kitchin LJ was satisfied that the case was suitable for summary judgment as neither side had suggested that their case was likely to be affected, still less improved, by any further disclosure or evidence.

## Comment

In theory, colour marks are registrable, but merely providing a sample of the colour is not enough. It must be accompanied by a description. A description drawn in general terms, however, invites ambiguity, as Cadbury found to its cost when it tried to describe how it would use the colour purple in practice, i.e. as the “predominant” colour. Similarly, a description that does not match the visual representation will also render ambiguous the graphical representation, comprising the visual and the verbal and considered as a whole.

Glaxo’s registration sought to mask the lack of precision (which served Glaxo’s purpose of trade marking a combination of two shades of purple per se) with an otherwise precise pictorial representation. The result was a lack of clarity not least because of the discrepancy between that representation and the written description. While ultimately the Court of Appeal’s decision in this latest case provides another example of how not to register a colour mark, tactically how to approach such applications in order to give maximum protection to corporate colours remains a puzzle which leaves brand owners and their advisers “scratching their heads”.

# DEALING IN “GREY” GOODS: NOW BLACK & WHITE THAT IT’S A CRIMINAL OFFENCE

The UK Supreme Court has upheld a Court of Appeal decision that persons dealing in “grey” goods – goods branded with a trade mark proprietor’s consent but sold without his consent – may be liable to criminal prosecution under s 92(1) of the Trade Marks Act 1994.

The court held that s 92(1) was not limited to counterfeit goods (in the sense of the manufacture of the goods and application of the relevant mark to the goods being unauthorised by the trade mark proprietor) and, contrary to the defendant’s argument, each offence listed under the 1994 Act was “separate” and “not cumulative” and there was no reason to “strain the language of section 92(1)(b) so as to exclude the sale of grey market goods” (R v M & Ors (2017 UKSC 58)).



The defendants (a company and various individuals) were indicted for unlawfully selling in the UK branded goods (including Ralph Lauren, Adidas, Under Armour, Jack Wills and Fred Perry), all of which had been manufactured outside the EU. These included, or may have included, goods that had been manufactured by factories which had been authorised by the trade mark proprietor but which were then disposed of without the proprietor’s authority (grey goods), such as garments:

- deliberately made by the factories in excess of the numbers permitted by the trade mark owner, so that the balance could be sold for their own benefit.
- manufactured, pursuant to an order, with authority but in excess of the required amount (perhaps as precautionary spare capacity planned and approved by the trade mark owner) and subsequently been put on the market without consent
- rejected as not being of sufficient standard (e.g. “seconds”).

## The Arguments

Section 92 is headed “Unauthorised use of trade mark, &c. in relation to goods”. Subsection (1), in full, provides as follows:

*A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor—*

*(a) applies to goods or their packaging a sign identical to, or likely to be mistaken for, a registered trade mark, or*

*(b) sells or lets for hire, offers or exposes for sale or hire or distributes goods which bear, or the packaging of which bears, such a sign, or*

*(c) has in his possession, custody or control in the course of a business any such goods with a view to the doing of anything, by himself or another, which would be an offence under paragraph (b).*

The defendants argued that “such a sign” in s 92(1)(b) referred back to s 92(1)(a) and, therefore, s 92(1)(b) applied only to goods where the relevant sign (i.e. trade mark) had

been applied without the consent of the proprietor. According to the defendants, as the proprietor had consented to the original application of the trade mark to the goods, it followed that such goods were not goods which bore “such a sign”. Both the trial judge and the Court of Appeal rejected that submission. The defendants appealed.

## The Decision

The Supreme Court unanimously dismissed the appeals.

The language of the section was, in the court's view, plain. "*Such a sign*" in subsection (b) was a sign as described in subsection (a), namely one "*identical to, or likely to be mistaken for, a registered trade mark*". So-called grey market goods were caught by the expression. The offences set out in paragraphs (a), (b) and (c) of s 92(1) were not cumulative, but separate. It was not necessary that one had been committed (by someone) before the next in line had been committed. Each stood alone. The mental element of a person acting with a view to gain for himself or another, or with intent to cause loss to another, was applicable to all three. Equally applicable was the element that the use made of the sign was without the proprietor's consent. In contrast, the defendants' reading of paragraph (b) was "*strained and unnatural*".

Accordingly, the court found there was no ambiguity or obscurity in the language to justify (pursuant to *Pepper v Hart* [1993] AC 593) an investigation into the contents of Parliamentary debate at the time

of the passage of the Bill which became the 1994 Act. In addition, it could not be suggested that the ordinary (or literal) reading of the Act gave rise to absurdity. Moreover, the defendants did not realistically contend that there had been the kind of clear ministerial statement which amounted to a definitive identification of what the Bill was intended to achieve. The most that was contended was that the passage of the Bill was marked by several references to the desirability of punishing counterfeiting.

However, it was not suggested that Parliament, or any individual speaker, had at any point confronted the suggested difference between fake goods (which the defendants had described as "*true counterfeits*") and grey market goods. Still less could it be suggested that Parliament had plainly confined itself at any point to criminalising fake goods and abjured the criminalising of grey market goods.

The court found no reason to strain the construction of s 92(1)(b) so as to exclude the sale of grey market goods. Lord Hughes said that "*it is, on any view, unlawful for a person in the position of the defendants to put grey goods on the market just*

*as it is to put fake ones there. Both may involve deception of the buying public; the grey market goods may be such because they are defective. The distinction between the two categories is by no means cut and dried. But both are, in any event, clear infringements of the rights of the trade mark proprietor.*" In both cases, the seller's intention is to profit from someone else's trade mark without permission.

The 1994 Act did not deprive the defendants of their property; the most it did was to regulate the use or disposal of the goods. In any event, there was nothing disproportionate in the 1994 Act penalising sales when the infringing trade mark was still attached, nor in imposing a criminal sanction on those who might otherwise calculate that the risk of liability in damages was worth taking. That was a perfectly legitimate balance to strike between the rights of the proprietor to protect his valuable trade mark and goodwill, and those of the person who wished to sell goods they had bought.

Accordingly, the defendants' appeals were dismissed.

## Comment

The Supreme Court's decision will be welcomed by brand owners who will now be able to consider private prosecution under s 92 of the Trade Marks Act against unauthorised dealers in grey goods, in addition to any trade mark infringement claims. This could prove particularly useful in situations where the police or trading standards are unwilling to take action against an infringer, as previously criminal provisions were thought only to apply to counterfeits and so were previously not generally considered when dealing with matters relating to grey goods. The decision also clarifies that counterfeiters also dealing in grey goods that contest claims of infringement by claiming that the goods were in fact overruns, seconds or cancelled orders can still be caught by the scope of s 92.

In contrast, the decision will undoubtedly cause concern to certain distributors of branded

goods who may struggle, in some instances, to know whether the distribution of such goods has been authorised by the trade mark owner. The earlier Court of Appeal decision recognised that this approach could potentially result in harsh consequences for some, such as tourists buying jeans in New York and later selling them on eBay. However, the Supreme Court clearly agreed that such measures were necessary in order to address the "unscrupulous conduct" of those attempting to undermine and profit from the registered trade marks of others. The court also relied on the "*good sense*" of Trading Standards officers not to pursue prosecutions in inappropriate cases.

Despite the positive aspects of this decision for brand owners, advisors should ensure that clients considering s 92 are aware of the difficulties of establishing criminal liability in comparison with civil actions. For example, in a criminal

action relating to grey or parallel goods, the burden would be on the prosecuting side to prove that the brand owner did not consent to the importation and/or resale within the European Union of the goods "*beyond reasonable doubt*". In comparison, in a civil action, the burden would fall upon the importer/reseller to prove that it is more probable than not that the brand owner did consent to such sales.

It remains to be seen whether the mere risk of criminal sanctions will act as a deterrent to many businesses that trade in grey or parallel imported goods, whether knowingly or not. However, it is likely that this decision will lead to an increase in brand owners including threats of criminal sanctions in initial communications with potential infringers, filing complaints with Trading Standards and contemplating private prosecutions.



## Team news

### Welcome to:



**Oksana Thomas** joined our London office in January as a Technical Assistant in our patents group. She has a degree in Astrophysics and an MSc Management of Intellectual Property and Post-Graduate Certificate in IP from Queen Mary University of London.



**Sharon Kirby** joined the firm in March as a Senior Associate based in the trade marks team in London. Sharon is a qualified UK and EU Trade Mark Attorney, Higher Courts Litigator and an Irish Trade Mark Agent. Sharon has experience of managing trade mark portfolios for a range of clients from start-ups, to long established businesses with registrations in more than 60 countries.

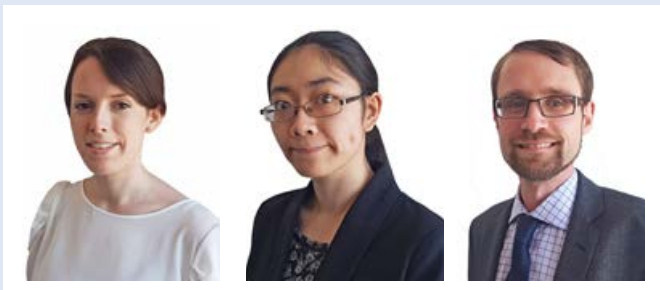


**Stephanie Foy** started as an Associate Solicitor in our London office trade marks group. Stephanie has specialised in general commercial and intellectual property litigation and is experienced in dealing with intellectual property disputes and has extensive experience of handling contractual disputes, in particular the construction of vague clauses.



**Pramod Patel** joined the London office as a Paralegal in the trade marks team. Pramod has previously worked within intellectual property, particularly in the field of trade marks gained from working within international law firms.

### Congratulations to:



**Lucy Holt, Suzu Sato** and **John Parkin** who obtained the Postgraduate Certificate in Intellectual Property Law at Queen Mary University of London this year.



**Elizabeth Elliot** who passed UK exams – Drafting of Specifications (FD2) and Amendment of Specifications (FD3).



**Oliver Poskett** who qualified as a UK Patent Attorney this year and is now dual qualified.

## Out and about – external event attendance

Who	Details	When
Katie Cameron, Tim Pendered, Felix Rummler, Kana Enomoto, Handong Ran, Dr. Kei Enomoto, Nicole Ockl, Tim Young	INTA, Seattle, Washington, USA	19 – 23 May
Dr. Fiona Kellas	BIODundee International Conference, Dundee, Scotland	22 – 23 May
Reuben Jacob, Dr. Fiona Kellas, Dr. Edward Rainsford	BIO International Convention 2018, Boston, USA	4 – 7 June
Trade Mark Team	ECTA 37th Annual Conference, Athens, Greece	13 – 16 June
Handong Ran, Alec Clelland, Dr. Edward Rainsford	China Patent Annual Conference (CPAC), Beijing, China	30 – 31 August
Joanne Ling	MARQUES 32nd Annual Conference, Paris	18 – 21 September
Reuben Jacob, Phil Treeby	AIPPI World Congress, Cancun, Mexico	23 – 26 September
Katie Cameron, Kana Enomoto	PTMG Autumn Conference, Dubrovnik, Croatia	3 – 6 October
Nicole Ockl	ECTA 76th Autumn Council and Committee Meetings, Geneva, Switzerland	18 – 20 October
Maucher Jenkins Team	AIPLA Annual Meeting, Washington, USA	25 – 27 October
Reuben Jacob, Dr. Fiona Kellas, Dr. Edward Rainsford	MEDICA Düsseldorf, Germany	12 – 15 November
Phil Treeby, Dr. Kei Enomoto	APAA, New Delhi, India	17 – 21 November

## Maucher Jenkins hosted events

Dr. Cornelius Mertzluft-Paufler, Johannes Lange	Free consultation for inventors, IHK Südlicher Oberrhein in Lahr, Germany	17 May 19 July
Dr. Cornelius Mertzluft-Paufler	IP Showcase, Basel, Switzerland	4 June
Dr. Cornelius Mertzluft-Paufler, Dr. Manuel Kunst, Henrich Börjes-Pestalozza	Free consultation for inventors, IHK Südlicher Oberrhein in Freiburg	2 August 6 September 4 October
Felix Rummler, Kana Enomoto, Sascha Zieglmeier, Nicole Ockl, Georg Messerle	IP Day, Munich, Germany	October (TBC)



The information in this newsletter is for general information only and does not constitute legal advice. Advice should be sought from an attorney for specific matters.

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