

TRADE MARK NEWSLETTER



THE LION ROARS IN VAIN?

Metro-Goldwyn-Mayer Lion Corp v. OHIM

This case concerns an appeal by Metro-Goldwyn-Mayer Lion Corp against a decision of OHIM's Board of Appeal

Metro-Goldwyn-Mayer (MGM) is the proprietor of numerous registrations in Europe for the mark MGM. It opposed an application by the company Moser Grupo Media, S.L. for the mark "Moser Grupo Media" within which the initial letters "M", "G" and "M" are enlarged and prominent. MGM based its opposition on national registrations in Denmark, Finland, France, Germany, Italy, Portugal, Spain, Sweden, Benelux, Greece, the UK and Austria as well as a Community Trade Mark application. The Opposition Division upheld MGM's opposition and refused the contested application, deeming it to be in conflict with MGM's rights.

In reaching its decision, however, OHIM's Opposition Division did not take into account certain of the Opponent's earlier trade marks namely the Austrian, Greek and UK registrations, together with the Community Trade Mark application. In the case of the Austrian, Greek and UK national registrations, the Opponent was not deemed to have supplied sufficient proof of their existence and continued validity. Since the Community Trade Mark application was still pending, OHIM decided not to take the mark into account when considering the merits of the opposition. This outcome would allow Moser Grupo Media to seek conversion of its CTM to national marks in Austria, Greece and the UK, should it wish to do so. MGM appealed (unsuccessfully) to OHIM's Board of Appeal, and then to the Court of First Instance.

The basis for the appeal was that OHIM's failure to take into account all

of the earlier rights relied upon gave rise to an 'adverse effect' against MGM. It claimed that the contested CTM application should have been refused on all grounds so that the applicant could not convert its mark into national filings. However, the appeal was unsuccessful at both levels.

The CFI stated that the Opposition Division is under no obligation to examine all of the earlier marks or rights relied upon in an opposition. Thus an applicant whose Community trade mark has been refused could file applications to convert its CTM into national applications in the EU member states excluded from OHIM's decision. This is the case notwithstanding the fact that the Opponent may have valid prior rights in those countries, which have been properly relied upon in opposition proceedings.

In justifying its decision, the CFI commented that the aim of CTM opposition proceedings is to prevent Community Trade Marks which are in conflict with earlier marks or rights from being registered, and not to settle pre-emptively all potential conflicts at national level.

It was also noted by the CFI that conversion of a Community trade mark into national trade mark applications is optional and does not automatically confer the right to obtain national registrations. Rather, national applications arising through the conversion of a Community trade mark are still examined by the

relevant national authorities. Even if such an application were to be accepted, MGM would still have the opportunity to oppose on the basis of its relevant national rights. Further, there is nothing to stop the owner of a refused Community Trade Mark filing an identical application directly with national authorities without having recourse to the conversion procedure.

In view of the above, the CFI held that MGM's interest in applying for the annulment of OHIM's decision concerned a "future and uncertain legal situation". Accordingly, it could not be said that MGM would in fact suffer any real detriment by virtue of OHIM's decision, and the appeal was dismissed.

It would seem preferable, therefore, for trade mark owners to base Community trade mark oppositions on an earlier Community trade mark registration if possible. This would prevent the situation described above from arising.

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LEGAL ADVICE PRIVILEGE AFTER THREE RIVERS; EFFECT ON TRADE MARK ADVICE

Communications between clients and lawyers for the purpose of obtaining/giving legal advice are, generally speaking, privileged from disclosure in subsequent litigation. Similar privilege attaches to advice provided by registered trade mark attorneys to their clients for matters concerning their trade mark or design rights.

However, the scope of legal advice privilege has recently been reviewed by the House of Lords following a Court of Appeal decision in the "Three Rivers" case (involving the Bank of Credit and Commerce International – BCCI – which collapsed in the early 1990s with over £7 billion worth of undeclared debts). That case involved action by BCCI's creditors against the Bank of England, the relevant regulatory body, for alleged failures in its supervisory role.

During the course of the action, issues arose between the parties as to whether certain communications between the Bank of England and its solicitors were privileged or open to disclosure. The disputed communications related principally to advice provided by their solicitors to the Bank of England's Bingham Inquiry Unit (an internal unit established by the Bank of England to deal with the government Inquiry into the BCCI collapse).

In an earlier decision, the Court of Appeal had held that part of the Bank's solicitor's advice relating to the preparation and presentation of materials to the Bingham Inquiry was not protected by legal advice privilege and, further, that communications involving solicitors and bank employees/ex-employees who were not within the Inquiry Unit (which it treated as the solicitor's "client") were not privileged at all.

The House of Lords overturned the finding that the advice provided to the Bingham Inquiry Unit was not privileged, since it took place in a relevant legal context, even if it was not in contemplation of litigation. However, it declined to clarify the issue of who should be treated as the "client" for the purpose of this privilege. The Court of Appeal had decided that such privilege may be limited to communications between their external advisors and those individuals within the client organisation who are responsible for instructing and receiving legal advice (typically the Legal Department) and not everyone within the organisation with whom communications giving such advice may have taken place.

The practical implications of this finding by the Court of Appeal are far-reaching.

It is not unusual for members of a company's Marketing Department, for example, to seek external advice from their trade mark attorney as to whether their new trade mark is likely to infringe someone else's earlier rights; in the light of the Three Rivers decision, it may be that this advice is not treated as privileged. On the other hand, it could be argued that because the privilege attaching to communications from trade mark advisers is separately described and defined by Section 87 of the Trade Marks Act 1994, which refers to communication between a "person" and his trade mark agent, rather than a "client", the Three Rivers decision does not affect the position.

However, since the issue is unclear, it would be prudent for clients to ensure, when they are seeking advice on matters which are likely to become contentious, that the person within their organisation who does so is authorised specifically to take such advice and that the identity of that individual or individuals is specifically notified to their trade mark adviser, who should themselves be a registered trade mark attorney.

ANYONE FOR KENTUCKY FRIED CHICKEN OR KFC?

Practitioners handling trade mark oppositions at the UK Registry will be familiar with the "mantra" which is contained in all Registry decisions, setting out the general rules which should guide the Hearing Officer when assessing likelihood of confusion between the applicant's and the opponent's marks. These are extracted from the ECJ decisions in *Sabel v. Puma*, *Canon KK v. Metro-Goldwyn-Mayer*, *Lloyds Schuhfabrik v. Klijsen Handel* (etc.) and enshrine the "global appreciation" test firmly as part of UK law.

Nevertheless, it appears that "normal and fair use" is also still helpful when assessing

likelihood of confusion; practitioners with long memories will recall that this was one of the key concepts under the 1938 UK Trade Marks Act. A recent decision of the Appointed Person involving the trade marks KENTUCKY FRIED CHICKEN and KENNEDY FRIED CHICKEN has affirmed its usefulness under the new regime (Case No. 0-227-04 dated 30 July 2004).

In this case, the proprietors of the KENTUCKY FRIED CHICKEN brand had opposed an application for KENNEDY FRIED CHICKEN for restaurant services in class 42. At first instance, the Hearing Officer had dismissed the opposition, concluding that the average consumer was able to distinguish between KENNEDY FRIED CHICKEN and KENTUCKY FRIED CHICKEN. He focused on the different semantic meanings of KENTUCKY and KENNEDY respectively, largely discounting the added term "FRIED CHICKEN" in view of its descriptive meaning. He also rejected the opponent's survey evidence. This latter part of the Hearing Officer's decision was upheld by the Appointed Person on appeal.

However, he decided that the Hearing Officer had misapplied the relevant criteria when

assessing likelihood of confusion under Section 5(2)(b) of the 1994 Trade Marks Act. In particular, he considered that the applicant's evidence established that KENTUCKY FRIED CHICKEN enjoyed a reputation and that KENNEDY FRIED CHICKEN not only had visual and oral similarities to

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THE "HOUSE DOCTOR" RESTORES HER MARK!

A recent decision of the Appointed Person (*Ann Maurice v. Smith & Paul Associates Limited*) involving the trade mark HOUSE DOCTOR has confirmed that it is the extent of goodwill and reputation in a trade mark which will determine the likelihood of a successful passing-off claim, rather than the length of use of the trade mark involved.

In this case, Ann Maurice, the presenter of the Channel 5's popular programme HOUSE DOCTOR, successfully applied for invalidation of Smith & Paul Associates Limited's UK trade mark for HOUSE DOCTOR registered in respect of services including interior and exterior house design, lay-out and decorating. Because she had no existing trade mark registrations, the challenge was based on a claim to goodwill and reputation in the HOUSE DOCTOR name, sufficient to found a "passing-off" action at common-law. The owners of the registration denied that there was any protectable goodwill at the time when the mark was filed, or that the applicant for invalidation had any personal reputation in her name. At first instance, the application for invalidation succeeded, but the registered owners appealed, asserting that the Hearing Officer had failed to properly assess the issues and that it was correspondingly harder to obtain a protectable reputation in a descriptive term such as "HOUSE DOCTOR" under the common-law of "passing-off".

In order to succeed in a passing-off claim (and hence under an Invalidation claim under Section 5(4) of the UK Trade Marks Act), it is necessary to prove the following three elements.

1. The claimant enjoys goodwill and reputation in the contested name.
2. Use of the name by the defendant constitutes a misrepresentation (whether or not intentional) leading or likely to lead the public to believe that the goods or services offered by the defendant are the goods or services of the claimant.
3. The claimant has suffered or is suffer damage as a result of the erroneous belief engendered by the defendant's representation.

As at 12 June 1999 when the application was made by Smith & Paul Associates Limited, only seven 30 minute programmes of the HOUSE DOCTOR series had been shown on Channel 5, having been broadcast from 22 August 1998 on a weekly basis. However, due to the fact that these programmes had pulled in audiences in excess of 1 million, together with the associated promotions and TV listings which had taken place for the programme, the Appointed Person had no



difficulty in upholding the Hearing Officer's decision that Ann Maurice did enjoy sufficient goodwill and reputation in the name HOUSE DOCTOR in order to invalidate the earlier filing. This was despite it being less than one year from the time the series began to the time when the registration in suit had been filed.

Given the identity of the marks and the services involved, the Appointed Person then found that a relevant misrepresentation was likely and would clearly result in damage to Ann Maurice and the goodwill and reputation which he had decided she enjoys in the HOUSE DOCTOR name.

The case is out of line with previous indications from the Trade Mark Registry as to how long marks must be used in this country before reputation and goodwill can be claimed; indications in the past have been that between 3 – 5 years use was required, on a fairly substantial scale. There must, however, be exceptions to this rule where a name has acquired nationwide recognition more quickly, particularly through exposure on national TV, as this case clearly demonstrates.



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the opponent's mark, but also some conceptual associations. On this latter point, he held that the words "FRIED CHICKEN" could not be discounted simply because they might describe some of the goods available in the opponent's restaurants, since the business as a whole was broader in scope.

He reaffirmed that assessment of normal and fair use could involve considerations beyond the use presently made of the mark applied for. It was therefore legitimate (despite the fact that the applicant did not yet offer any takeaway food) to assume that he might do so in future, thus further increasing the scope for confusion.

The most interesting part of this decision relates to how the "normal and fair use" test should have been applied. It is sometimes easy to forget, when assessing likelihood of confusion in cases where the later mark is being used, and no actual confusion can be shown, that the enquiry can be extended to notional normal and fair use as well. This may help an opponent to persuade a reluctant tribunal that there is sufficient likelihood of confusion to merit refusal of the applicant's mark, even where an initial review may suggest the contrary. The "global appreciation" test by itself has potential for too inflexible an application, since it tends to focus on comparison of the signs and their goods/services in isolation. The addition of the "notional and fair use" element helps to make this assessment more flexible.

Kentucky Fried Chicken's attorney had submitted that there was a propensity

for people to abbreviate compound word marks to their initial capital letters (in this case, "KFC"), and that this was equally true for the applicant's mark. This type of argument may seem surprising as a general proposition.

The opponents had, however, filed evidence that the public referred to their restaurants both by the name KENTUCKY FRIED CHICKEN and also by the abbreviation "KFC". By the time of the Hearing, the opponent's restaurants had been re-branded as "KFC", although at the time when the applicant's mark was filed this was not the case. The Appointed Person concluded that it was quite likely that members of the public would abbreviate the words "KENTUCKY FRIED CHICKEN" to "KFC", thus exacerbating the potential for confusion.

This said, it is perhaps debatable whether the tribunal would have naturally abbreviated "KENTUCKY FRIED CHICKEN" to "KFC" without at least some evidence to demonstrate that this did occur in actual use; once this had been shown, it was a small step for the Appointed Person to conclude that "KENNEDY FRIED CHICKEN" could also be abbreviated in this way, hence adding to the potential for confusion.

Finally, the Appointed Person endorsed the Hearing Officer's statement that the manner in which an applicant for registration actually uses his mark will generally be regarded as a normal and fair use, although not the only possible normal and fair use, and that it was legitimate to take into account (in this case) the fact that the applicant used a red/white colour combination which the opponent had also been using for many years.

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