

## TRADE MARK NEWSLETTER

## FOREWORD

*It's all about evidence!*

This Newsletter issue, the first for 2007, focuses on the importance of evidence to trade mark owners and practitioners. All aspects of trade mark law and practice, whether contentious or non-contentious, are underpinned by the facts and evidence which support a case.

The articles in this Newsletter cover particularly complex areas of evidence, and there is a well known legal maxim that "hard cases make bad law". Certainly the "VITAFRUIT" decision on acceptable proof of use is surprising, and the KALTEN assignment case underlines the need for full disclosure of background facts when the parties' motives are in issue. Hopefully the approach to evidence deadlines at OHIM suggested in the Advocate General's opinion in the ARCOL opposition case will inject a note of certainty (and sanity!) into an area of practice which has been quite confused recently.

Finally, the ECJ referral in the Dyson case again reinforces the need to get the basics right, particularly in a case where the mark is at the boundaries of trade mark law in Europe. If the initial claim is not well drafted or sufficiently precise, obtaining evidence to support arguments for distinctiveness may prove impossible.

These challenges face all practitioners in the evolving world of trade marks, but help make the job worthwhile. The D Young & Co trade mark team look forward to meeting and solving these challenges in the next year!

## HEART STOPPING?

## The KALTEN Case

which is used for beta blockers. Originally, it was registered by Astra-Zeneca, both in the United Kingdom and Spain, for pharmaceuticals.

Subsequently, Astra-Zeneca assigned the rights in Spain to a Spanish company, Teofarma (in 2001) and the rights in the UK to a UK company, Bolton (in 2004). In parallel with the assignment to Teofarma of the Spanish trade mark rights, Astra-Zeneca also transferred the product licence and marketing authorisation to that company. When the case came to the UK courts, Astra-Zeneca asserted that the agreement to assign the Spanish trade mark was confidential.

Equally, the UK transaction did not appear to be a mere transfer of Astra-Zeneca's title in the trade marks; there was also a "product agreement" with Bolton which contained provisions as to agreed manufacturing processes and quality control; again in the UK legal action, parts of this document were not publicly available.

The case was started by the UK assignee (Bolton Pharmaceutical) when they became aware that the defendants, Doncaster, were importing KALTEN goods from Spain. The claimant had nothing to do with the Spanish products and had not consented to

their import and sale in the UK. According to Bolton there was a straightforward infringement of their UK trade mark and they applied to the UK court for summary judgement on this ground.

In the High Court (at first instance), before a deputy judge, this argument was accepted and Bolton was successful in its

Trade mark owners may be surprised to

learn that they cannot freely assign or dispose of their trade mark rights within the European Union, if the effect of the transaction is to partition the market or constitute a disguised restriction on trade. Proving that such consequences may arise from a "simple" trade mark assignment is bound to be complicated.

A recent decision of the UK Court of Appeal made it clear that issues of this type were not appropriate for consideration in a case for summary judgment based on trade mark infringement – and reaffirmed that dealings in trade marks, as with other intellectual property rights, must not conflict with the fundamental freedom of movement of goods under EU law.

The case involved the trade mark KALTEN

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claim for infringement. The judge concluded that any defence raised by Doncaster based upon claims that there was exhaustion of rights "arising from the first sale of the imported product in Spain" had no real prospect of success.

He also concluded that there was no evidence to support claims by Doncaster that there were still economic links between Astra-Zeneca/Teofarma and Bolton or that these arrangements were designed to unlawfully partition the European market.

Doncaster appealed this decision and the Court of Appeal decided that the issue was not quite so clear cut after all. In his lead judgment, Lord Justice Mummery expressed reservations about the background to the assignment transactions described and the reasons why Astra-Zeneca decided to divest itself of ownership of the KALTEN mark in favour of different entities in different member states.

Put this way, this arrangement does start to look suspicious. It appears that prior to the "splitting" assignment, there was a thriving market in parallel imported KALTEN products in the UK such that up to 70% of the KALTEN goods on sale in the UK had been parallel imports. The suggestion therefore was that the assignments were designed to allow the new owners to put a stop to this.

The judge was also uncomfortable with the concept that by transferring the rights, the UK assignee (also Bolton) was put in a stronger position than the assignor (Astra-Zeneca). According to him, there was a general rule that when an assignee acquires rights from an assignor, in law he steps into his shoes, with the apparent consequence that the rights acquired are no better or no worse than those previously held by the assignor.

This proposition is hard to

understand if it is meant to imply that the assignee's rights in a mark could never become greater than or improve on those which were transferred initially. Trade marks become stronger through use for example; are all actions by an assignee which would have the effect of putting them in a better position than the assignor to be discounted when the rights are enforced further down the line?

In reality, this case is probably just another illustration of the fact that an assignment of trade mark rights can (but should not) operate as a disguised restriction on trade; Lord Justice Mummery was clearly uncomfortable with the absence of relevant "background" information relating to the transactions in the case which would dispel this suspicion.

However, the case was one seeking summary judgement and, quite naturally, the parties had not treated the matter as one where detailed evidence needed to be prepared and filed. In itself, however, this was a ground for overturning the initial decision, since it was clearly inappropriate for summary judgement to be granted in such complex circumstances.

## TIME RUNNING OUT

In an ideal world, parties to Opposition Proceedings at the Community Trade Mark Office will always prepare and file their supporting materials, including arguments and evidence, within the time limits set in Article 74 CTMR. Often, however, practical circumstances dictate that such evidence emerges in the course of the opposition procedure, possibly after the First Instance decision has issued.

Whether it is acceptable to put in such evidence on appeal, or indeed to seek to introduce new legal arguments, is the subject of a recent opinion from Advocate General Sharpston in Case No. T-164/02 (Opinion issued on 26 October 2006).

The case involved an opposition by Kaul GmbH (owners of the trade mark KAPOL) to an application by Bayer AG to register the trade mark ARCOL. At First Instance, the opposition was dismissed on the grounds that the Opponent had not made out their case under Article 8(1)(b) CTMR. On appeal, the Opponents, Kaul, filed additional arguments and evidence asserting that their mark was well-known and that OHIM should have found that there was likelihood of confusion.

These arguments were rejected by the Board of Appeal on the grounds that Kaul were in fact seeking to introduce a new legal basis to the previous Grounds of Opposition and that this altered the fundamental basis of the appeal in an unacceptable manner.

The case was appealed further by Kaul to the European Court of First Instance (CFI) which overturned the Board of Appeal's decision, holding that at all times the opposition had

# FOR LATE FILING OF EVIDENCE AT OHIM?

been founded on Article 8(1)(b) CTMR and that the Board of Appeal should, in its discretion under Article 74(2) of the Regulation, consider the new evidence of reputation and distinctive character in the mark filed at the appeal stage by Kaul. The CFI therefore held that the Board of Appeal had infringed its obligation to consider fully the likelihood of confusion under Article 8(1)(b) CTMR and its decision was unsafe.

This decision by the CFI has now been appealed to the ECJ by OHIM who have asked for guidance as to which of the various approaches to late filing of evidence under Article 74(2) is correct. A number of conflicting approaches have emerged in previous EU case law, as follows:

## 1. Time limits for production



2. Article 74(2) CTMR confers a discretion upon the Opposition Division and Board of Appeal as to whether they can take into account evidence filed after the expiry of a time limit in the Regulation (the discretionary approach).
3. Time limits in the Regulation are automatically "reset to zero" on appeal and further evidence can be accepted without question (the "continuation" approach).

This latter would imply that in some cases additional legal grounds could be raised by the parties for the first time during the OHIM appeal procedures.

In an admirable review of the case law to date, Advocate General Sharpston has considered these issues and concluded that it is not acceptable to introduce new legal grounds of opposition on appeal; in some circumstances, however, there is a discretion to admit further materials to support the existing legal grounds of opposition even where specific time limits have gone past.

Generally speaking, however, this discretion must be exercised sparingly; if parties are aware that they can file evidence at a later stage in proceedings without risk, there will be no incentive to prepare and submit the case fully at first instance. Moreover, it might be tactically preferable for an opponent to reserve parts of their evidence and file it on appeal in order to improve their case.

The opinion suggests that if parties to a CTM opposition fail to file their supporting evidence within the time limit set out at Article 74(2) at First Instance, the Board of Appeal is not required to admit additional evidence on appeal. Nevertheless there is still a discretion on the part of the Board to take account of additional material where the parties can demonstrate convincing reasons why it was not available at the initial stages. Interestingly, the Advocate General comments that in such early stages in "inter parties" proceedings, both parties should be invited to submit their observations "as often as is necessary" under the provisions of Articles 43 and 56 of the Regulation. OHIM's practice in this area is currently inconsistent; in some cases the Opposition Division will allow several rounds of arguments and evidence, and in others they will cut off the parties after two sets of materials have been filed on each side.

It will be interesting to see whether the ECJ follows the Advocate General's opinion in this case, but in our view it is likely that they will do so. This will confirm that evidence in inter parties proceedings at OHIM should be filed at the earliest opportunity and that parties cannot assume that further evidence will be acceptable on appeal if it could clearly have been obtained and filed at an earlier stage in the proceedings. Equally, it is now clear that introducing new grounds of challenge on appeal will always be unacceptable.

We will report further on the ECJ's judgement on this case later this year.

# DYSON'S TRANSPARENT BIN CASE – THE DISTINCTIVENESS TEST

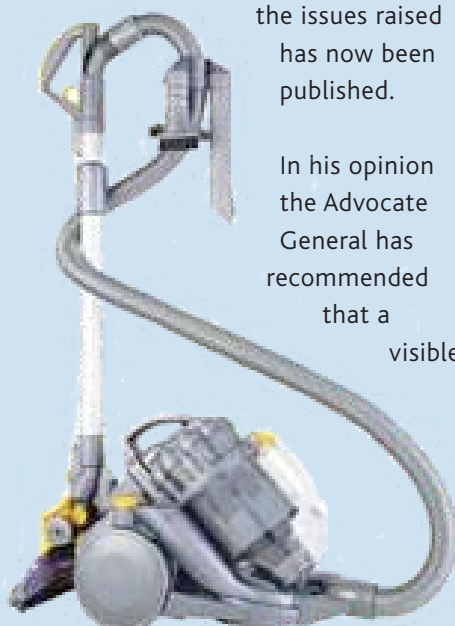
It is a basic legal requirement that a sign must have the capacity to distinguish the goods or services to which it is applied in order to qualify for trade mark registration. Whilst word marks satisfy this function, it causes significant problems for the owners of more non-conventional trade marks such as shapes, colours, scents and sounds. This is well illustrated by the recent Dyson case, which is summarised below.

Dyson launched their revolutionary Dual Cyclone vacuum cleaner in 1993 and applied to register a UK trade mark described as "a transparent bin or collection chamber forming part of the external surface of a vacuum cleaner" in 1996. In 2002 the application was rejected by the UK Hearing Officer on the grounds that the sign lacked distinctive character and that it ultimately served to designate the kind and the intended purpose of the product.

Dyson appealed and the High Court has referred the question of whether or not a visible functional feature of a product constitutes a trade mark to the European Court of Justice for a preliminary ruling. The Advocate

General's opinion on the issues raised has now been published.

In his opinion the Advocate General has recommended that a visible



functional feature of a product which is capable of taking on a multitude of appearances does not constitute a trade mark since it is not capable of being represented graphically or distinguishing the goods and services of one undertaking from those of others. Indeed on reflection, the container shown in the application was not limited to a particular shape. Dyson was not seeking protection for a particular shape but a transparent collecting bin *per se*. Neither was Dyson seeking protection of a colour, but the concept of transparency.

In the Sieckmann case the ECJ had said that a graphic representation must be clear, precise, self-contained, easily accessible, intelligible, durable and objective. The appearance of Dyson's collecting bin and the way in which it is integrated into a vacuum cleaner will change over the years. Therefore the precise subject of the protection afforded by the registered mark would be unclear, if the application were accepted as it stood.

The Advocate General added that it is important that trade mark law is not diverted from its essential function in order to obtain an unfair competitive advantage. It is not the function of a trade mark to create a monopoly in new developments in technology. It is thus of concern that some people will seek to use trade mark registrations to protect industrial creations or innovations, which are covered by other intellectual property rights, such as patents, and whose term of protection is generally limited in time.

He said that a concept cannot constitute a trade mark as it only appeals to the imagination, and unlike a scent, colour or sound, is conceived by the mind and not

"registered" by one of the five senses.

The opinion of the Advocate General is not surprising. However, looking to the "capacity to distinguish" requirement, it is hard to see why trade mark protection is not available to applicants who can demonstrate that consumers will associate products having unusual features with their business.

It seems that consumers must recognise the product feature as a *trade mark*, putting proprietors in a virtually impossible position. The tension will surely continue as long as shapes and other product features are, in theory, registrable as trade marks. The Dyson case shows a continued and clear reluctance on the part of UK courts and indeed the ECJ to grant monopolistic rights in design features of goods such as their shape.





# WHETHER USE IS GENUINE IS TO BE DECIDED ON A CASE BY CASE BASIS!

Whether there has been "genuine use" of a registered trade mark often causes concern to trade mark proprietors. In particular, satisfying the "proof of use" requirement in the Community Trade Mark Regulation (Article 43) may be key to the success or otherwise of an opposition. There have been many decisions from OHIM on this issue but few cases have been as long running as that involving the "VITAFRUIT" trade mark; the concerns regarding the proof of use filed in this case prompted an appeal from the decision of OHIM's Opposition Division (in August 2000) which went all the way to the European Court of Justice (see Case C-416/04P-Decision dated 11 May 2006).

In that judgement the ECJ backed the approach of OHIM's Opposition Division, and the CFI, who applied the guidelines set out by the ECJ in previous case-law, such as *Ansul* and *La Mer*, and upheld OHIM's original Decision (made in 2000) to partially refuse the VITAFRUIT mark.

This case represents something of a "high water mark" when an opponent is relying on very limited proof of use, so we have

summarised the basic facts below:

Sunrider Corporation filed an application at OHIM on 1st April 1996 to register the trade mark VITAFRUIT. Following its publication in the Official Bulletin, the application was opposed by a Spanish citizen, Juan Espadafor Caba, in reliance on his prior Spanish registration of the identical mark, covering various beverages in classes 30 and 32.

The opponent's earlier registration was more than five years old when the Community Trade Mark application was published and accordingly, Sunrider asked the Spanish trade mark proprietor to provide evidence that his trade mark had been used, in Spain, within the five year period preceding publication of the later Community Trade Mark application.

Señor Espadafor Caba provided evidence of use which consisted of six juice bottle labels and 14 invoices, 10 of which had been issued during the critical period preceding publication of the applicant's mark. The invoices had been issued by a company, Industrias Espadafor, S.A. All of the documents were in Spanish, but were accepted without any need to provide English translations (despite English being the language of the opposition).

Taking account of the low levels of such use, Sunrider claimed that it was not sufficient to constitute "genuine use". They further argued that in view of the fact that the goods protected by the earlier mark were intended for daily use by consumers and, as they were quite cheap, the goods should be easy to sell in quantity. Therefore, the sales figures provided (which only amounted to a sum total of €4,800) were distinctly

on the low side. Moreover, the invoices indicated that all sales had been to one party and only consisted of five transactions over a period of 11 months. The suggestion was that the sales were only 'token' and made to keep the mark valid, rather than showing a genuine trade in the goods.

Whilst agreeing that all factors, such as level of use, should be taken into account when assessing whether such use was genuine, the ECJ upheld the CFI's view that established case law had already clarified that "genuine use" of a trade mark is that which identifies the origin of a product and is intended to create or preserve and outlet for the goods. Genuine use does not include "token" use intended solely to preserve rights in a trade mark. Moreover, all the facts and circumstances in each case must be considered in order to decide whether token or true commercial use has taken place.

The ECJ agreed that the sales in this case had been relatively low for the type of products; nevertheless, there is no "*de minimis*" rule. So long as the use serves a real commercial purpose, even a relatively small amount of use can be sufficient to establish genuine use. Therefore, even in cases where overall sales volumes are comparable, the outcome may differ and it is impossible to predict or draw general conclusions as to what may constitute general use based on earlier cases, as each must be assessed on its own merits.





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Moreover, the ECJ reaffirmed that sales in a limited geographical area of one EU member state could also be considered sufficient, and genuine use.

A further point of interest in this case is that the trade mark was registered in the name of the individual, Juan Espadafor Caba, but the sales invoices were produced by a company, Industrias Espadafor, S.A. No written evidence of the trade mark owner's consent to the company's use of his trade mark could be shown but the Court of First Instance held, and the ECJ adopted this finding, that it could be presumed that the individual must have consented to the use of his trade mark by the company as, otherwise, he would not have had access to such sales invoices.

This case is of particular significance as it reiterates that acceptable proof of genuine use is not dependent on sales volumes and that consent may be implied even if only a tenuous business connection exists between the parties.



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