

PROVING DILUTION IN THE EU HAS JUST BECOME A GREAT DEAL MORE DIFFICULT

The European Court of Justice (ECJ) arguably left it until the end of November before issuing its most important Judgement of 2008.

The case concerned an application by Intel Corporation to invalidate the trade mark INTEL MARK in the United Kingdom. The mark was registered in Class 35 for marketing and telemarketing services. Intel's invalidity proceedings failed before the national Trade Mark Office, as did their Appeal to the High Court. Intel then appealed the decision to the Court of Appeal, which referred a number of questions to the ECJ.

The Court noted that the INTEL mark is "unique" in a sense that it is not used by anyone else and that Intel has a huge reputation in the United Kingdom for computers and computer linked products. Despite finding INTEL and INTEL MARK to be similar trade marks, the overall conclusion reached by the UK Trade Marks Office and High Court was that due to the dissimilarity between the two sets of goods and services, Intel had not shown either detriment to the distinctive character of the INTEL trade mark or the repute thereof, or that an unfair advantage of Intel's rights had been taken by CPM United Kingdom Limited, owners of the INTEL MARK trade mark.

As readers will be aware from our past Newsletters, the ECJ are not required to issue a decision on the merits of the particular case in question but, instead, establish the legal principles so that the queries raised by the referring Court are addressed and can then be applied by the National Court to the case in hand.

In the recent past, the ECJ has been accused, often fairly, of not providing sufficiently clear judgements such that the principles laid down can then be easily applied by National Court. Whilst ambiguity and lack of clarity might be great for the lawyers, it does not help business and commerce in general, and brand owners in particular. In this particular

instance however, the ECJ has to be commended for a greater than usual level of clarity. This Judgement should give clear(er) guidance to brand owners on the question of dilution in the future.

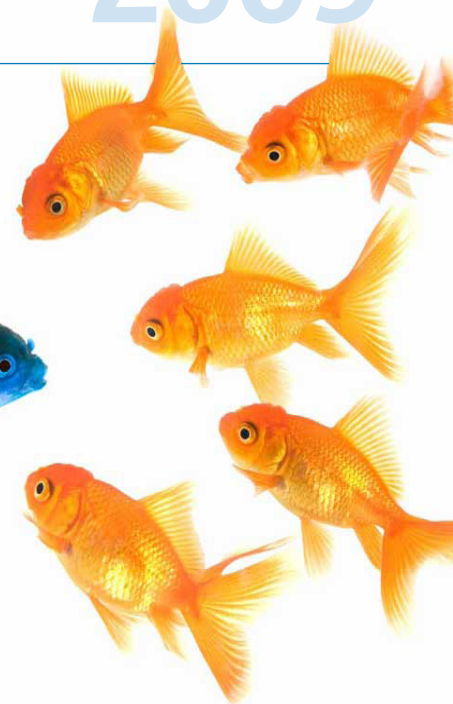
A number of factors were discussed in the ECJ's Judgement, by reference to the questions referred by the UK Court. These are summarised below:

Q1 *What are the relevant criteria for establishing a link between the earlier mark with a reputation and a later mark?*

Following previous rulings, the ECJ confirmed that the relevant factors include a degree of similarity between the conflicting marks; the nature of the goods and services; the strength of the earlier mark's reputation; the degree of the earlier mark's distinctive character and the likelihood of confusion, although the last of these is not a prerequisite for a finding of detriment or unfair advantage. All of these factors must be assessed together.

The ECJ concluded that for the average consumer, if the later mark called the earlier mark with a reputation to mind then this is tantamount to the existence of a link – a preliminary requirement for a finding of dilution. The Court noted, however, that merely because the earlier mark has a huge reputation and that the earlier mark is unique in respect of any goods and services, does not necessarily imply that there is a link between the conflicting marks. In this case, it is likely that the dissimilarity between "marketing and telemarketing services" and the goods and services of interest to Intel, coupled with the fact that the marks are only similar (rather than identical) was always going to make Intel's task in establishing the "link" that much greater.

Q2 *For a detriment claim to succeed, would*



Intel need to show that there was actual detriment to its mark or a "serious likelihood" that detriment would arise.

The Court confirmed the more "unique" the earlier mark, the greater the likelihood that use of any later identical or similar mark will be detrimental to its distinctive character. Detriment might arise because the mark's ability to identify the relevant goods or services is weakened, as use of a later mark leads to a dispersion of that identity.

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Q3. *Must there be a change in the economic behaviour of the average consumer, and how can this be demonstrated?*

This part of the Court's Judgement is likely to prove Intel's downfall and in our view is also going to make these types of cases much more difficult for brand owners to win in future. In paragraph 77 of the Judgement the ECJ stated that establishing "detriment" requires evidence of a change in the economic behaviour of the average consumer of the goods and services for which the earlier mark was registered following use of the later mark, or a serious likelihood that such a change will occur in the future.

Rather surprisingly, the Court went on to state that it is immaterial for the purposes of assessing detriment whether or not the proprietor of a later mark draws real commercial benefit from the distinctive character of the earlier mark. One assumes that the Court is making the distinction here between detriment to the mark's distinctive character as opposed to taking unfair advantage of its reputation but the Judgement is not at all clear on this point.

Our view is that the ECJ's comments at para. 77 are limited strictly to detriment and that where the proprietor of a trade mark with a reputation can show that an unfair advantage has been taken, then having to show a change in the economic behaviour of likely consumers will be less important. For example, if the mark registered for marketing and telemarketing services was INTEL rather than INTEL MARK then, given the uniqueness of the brand to Intel (similar to Exxon and Pepsi), Intel would be in a much stronger position to succeed on the unfair advantage claim.

CONCLUSIONS

Looking ahead it will be interesting to see how the Court of Appeal applies the principles in this ECJ Judgement to the facts of the INTEL vs INTEL MARK case, and their decision will be awaited with keen interest. In future it is likely that brand owners seeking to show dilution by way of detriment will need to prove this "change in economic behaviour" either by way of a survey or evidence of actual confusion in the marketplace. We will report further once the Court of Appeal decision is handed down.

LEGO BRICK CRUMBLES OVER TECHNICAL FUNCTION

In the run up to Christmas, no one can escape the incessant advertising from the world's leading retailers of the season's "must have" toys. One such company is Lego Juris A/S ("Lego"). However, this Christmas, Lego's famous bricks fell down a legal pothole.

On 12 November 2008, the Court of First Instance (CFI) of the ECJ upheld the decision of the OHIM Grand Board of Appeal to invalidate Lego's Community Trade Mark Registration for a 3D building block, as depicted below, in relation to "construction toys" in Class 28 on the grounds that the mark consisted exclusively of a shape necessary to obtain a technical result - which is prohibited by Article 7(1)(e)(ii) of Council Regulation (EC) No. 40/94 governing Community Trade Marks.

In the Appeal, Lego argued that the Grand Board of Appeal had misinterpreted Article 7(1)(e)(ii) with regards to the meaning of the words "exclusively" and "necessary".

With regards to the meaning of "exclusively", Lego argued that the trade mark contained other non-essential characteristics which did not add to its technical function, and therefore the mark did not consist "exclusively" of a shape with a technical function. The CFI did not agree and held that the Grand Board of Appeal had correctly interpreted the meaning of the word. The addition of non-essential characteristics with no technical function does not exclude an objection under Article 7(1)(e)(ii) if all the essential characteristics perform a technical function.

Turning to the meaning of the word "necessary", the CFI held that it is irrelevant if there are other ways of achieving the same result. The refusal

will be upheld where the essential characteristics of the shape are those which cause a technical result.

In answering Lego's claims that the Grand Board of Appeal had failed to correctly identify the characteristics of the mark by examining the mark as a whole rather than just the visible features of the shape at issue, the CFI held that the Grand Board of Appeal had examined the mark as a whole and had identified the invisible hollow underside of the brick and the secondary projections on the representation of the mark as shown above. However, such an analysis also includes examination of all visible elements present on the trade mark, including those which fulfil a specific technical function and are therefore prohibited.

Finally, Lego claimed that the Grand Board of Appeal's arguments that a monopoly on a technical solution could be obtained by means of registering all shapes using that solution were unrealistic in view of the requirements for distinctive character under Articles 7(1)(b-d) of the Regulation. This was also rejected by the CFI on the basis that even if it had to consider distinctive character, this would not affect a finding that the shape in question has a technical function, the registration of which as a trade mark is prohibited by the Regulation.

It remains to be seen whether Lego will apply for leave to appeal to the ECJ, but what is clear is that where the essential characteristics of a 3D trade mark have a technical function it cannot be registered, regardless of whether the mark contains other characteristics which do not have a technical function, or where, in the present case, the mark has acquired a distinctive character by virtue of the use that has been made of it.



WHAT'S IN A NAME? HOTEL CIPRIANI SWEEPS THE BOARD AGAINST PREVIOUS BUSINESS PARTNERS

Disputes over the right to use one's own name in a business context have proved a fertile source of litigation in the trade mark field. The latest conflict concerns the Italian surname "Cipriani" and involves rival business operations in the field of luxury hotels, bars and restaurants. Most visitors to Venice will have heard of, if not stayed in, the Hotel Cipriani and may have had a drink at Harry's Bar. They may have been unaware, however, that both businesses were founded by the same individual, Giuseppe Cipriani (Harry's Bar came first). It was as a consequence of the subsequent disposal by Giuseppe of the hotel business to new proprietors that matters began to get contentious.

The decision commented on below relates only to the situation in the UK. However, it is of note that in Italy at least, there are now four unconnected businesses using the CIPRIANI name for the operation of hotels, restaurants and complementary businesses such as catering; under Italian law such coexistence is possible, providing that the different businesses take sufficient steps to differentiate the common name from the use by the other businesses. In the UK case, however, the defendants were not found to have taken such steps.

This case has a complicated factual background. Hotel Cipriani (together with the two other joint claimants), is now a member of the Orient Express Hotels Group. All joint claimants ran the Hotel Cipriani in Venice, Ristorante Hotel Cipriani in Lisbon and Ristorante Villa Cipriani in Madeira.

The first defendant (CGS) opened a restaurant in London in 2004 called 'Cipriani London' – although this was sometimes abbreviated to CIPRIANI. This action formed the subject of the UK case. The second defendant (Giuseppe Cipriani) was the sole Director of CGS and the third defendant was a Luxembourg Corporation who owned a 60% shareholding of CGS and licensed CGS to use the 'Cipriani' name.

Concurrent trade mark registrations for CIPRIANI marks in Italy were owned by both parties to the UK dispute but this coexistence was not considered relevant to the outcome of the UK proceedings. As indicated above, the Venice hotel had

been started by the second defendant's grandfather. At the time when he sold his share in the business to new owners in 1967, there was an Agreement whereby the Cipriani family undertook not to compete with the established hotel business for five years by starting any new business with the CIPRIANI name.

After the "non-compete" clause expired, the family did start some new CIPRIANI businesses (including some in Italy) and in particular had successful restaurant operations in New York, Buenos Aires and a private club in Hong Kong, all using the CIPRIANI name. Neither of the parties to the UK case had made any direct use of the CIPRIANI trade mark through business operations in the UK until the opening of the CIPRIANI London restaurant business by the defendants in 2004.

Hotel Cipriani owned two CTMs and two UK registrations for CIPRIANI and HOTEL CIPRIANI respectively and claimed that use by the defendants of the signs CIPRIANI and CIPRIANI LONDON in the UK was in breach of Articles 9(1)(a) and 9(1)(b) of Community Trade Mark Regulation 40/94 with respect to their Community registration no. 115824 CIPRIANI.

They also claimed that the defendants' use of the signs was "passing off" and contrary to section 56 of the 1994 UK Trade Marks Act, protecting 'well known trade marks'.

The defendants conceded that there was *prima facie* infringement under Article 9(1)(a) in relation to their use of CIPRIANI as this constituted use of a sign identical to an earlier registered mark with respect to identical services. They denied the allegation of infringement under Article 9(1)(b), i.e. that use of their CIPRIANI LONDON sign created a likelihood of confusion with Hotel Cipriani's earlier CIPRIANI mark and counter-claimed for a declaration of invalidity of both the CTM and UK registrations for CIPRIANI on the grounds that these registrations were made in bad faith. They raised a second ground of invalidity against the UK registration for CIPRIANI alleging that use by Hotel Cipriani in the UK of the CIPRIANI trade mark constituted Passing Off of their earlier rights in CIPRIANI LONDON.

In defence of Hotel Cipriani's claims for

infringement, the defendants also relied upon the 'own name' defence by virtue of Article 12(a) CTMR.

The case was heard in the UK High Court by Arnold J. In a detailed judgement he reached the following conclusions:

INFRINGEMENT OF CTM REGISTRATION NO. 115824 CIPRIANI PURSUANT TO ARTICLES 9(1)(A) AND (B) CTMR

Mr Justice Arnold had no trouble in determining that there was *prima facie* infringement of the CTM registration for CIPRIANI under both Articles 9(1) (a) and (b).

In respect of the latter head of claim (that use by the defendants of CIPRIANI LONDON in the UK infringed Hotel Cipriani's CTM registration for CIPRIANI), it was held that there was a likelihood of confusion since the services offered were identical and the distinctive and dominant elements of the sign used and the mark registered were identical (LONDON being a non-distinctive component in the defendants' use of the CIPRIANI LONDON sign).

'OWN NAME' DEFENCE UNDER ARTICLE 12(A)

Adopting the judgements in *Asprey & Garrard* [2001] EWCA Civ 1499 and *Premier Luggage* [2002] EWCA Civ 387, Arnold J rejected the defendants' own name defence under Art 12(a) CTMR on the basis that neither CIPRIANI nor CIPRIANI LONDON were their own names. Although the defence would now save use of a defendant's registered corporate title, it did not cover mere trading styles/names. He added that:

"if Article 12(a) were to be interpreted as applying to a company's trading name as opposed to its registered name, it would constitute a substantial inroad into the



rights conferred by Article 9(1) [...] it is unlikely that this can have been intended by the Community legislature"

Arnold J also considered whether use by the defendants of the signs CIPRIANI and CIPRIANI LONDON was in accordance with honest practices in industrial and commercial matters and concluded that it was not on the basis that, amongst other reasons, the defendants knew of the existence of the CTM registration for CIPRIANI, and should have appreciated that there was a risk that Hotel Cipriani may object to a restaurant called CIPRIANI LONDON being opened in the UK, given the likelihood that confusion may arise amongst the relevant public.

INVALIDITY OF THE CTM AND UK REGISTRATIONS FOR CIPRIANI ON THE GROUNDS OF BAD FAITH UNDER ART. 51(1)(B) AND SECTION 5(4) TRADE MARKS ACT 1994

Following the premise that good faith is presumed until the contrary is proven, Arnold J also rejected the defendants' counter-claims for a Declaration of Invalidity on the grounds of bad faith deciding that Hotel Cipriani had not acted in bad faith by registering the CTM for CIPRIANI.

He re-affirmed previous OHIM decisions holding that a claim of bad faith is a serious allegation and cogent evidence is required to prove this. He also held that the Community Trade Mark system operates a first-to-file principle such that *"it does not constitute bad faith for a party to apply to register a Community Trade Mark merely because he knows that third parties are using the same mark"*.

The claimants had tried to argue that the 1967 Agreement between both parties' predecessors in business entitled them to register their Community Trade Mark and that this by itself provided a defence to the bad faith claims. Arnold J rejected this particular argument but also concluded

that the correct interpretation of the 1967 agreement (insofar as the rights to use the CIPRIANI name were concerned) favoured the claimant's argument that they had the exclusive right to use the name CIPRIANI as a trade or business title for any hotel or restaurant business under the Agreement.

However, the claimants do not appear to have pleaded this as a separate ground in the UK proceedings, relying simply on infringement, passing off and Section 56 of the 1994 Act.

The defendants' second ground of challenge, attacking UK registration no. 2435200 CIPRIANI under Section 5(4) of the 1994 Act, also failed. The defendants relied upon their goodwill in their CIPRIANI LONDON restaurant between April 2004 and October 2006 and contended that use by Hotel Cipriani of CIPRIANI constituted "passing off" of their earlier sign; a risky strategy in view of the claimant's assertion that the defendants were themselves "passing off" the London restaurant as connected with them!

In its defence, Hotel Cipriani had stated that the defendants could not rely upon such evidence of trading under CIPRIANI and CIPRIANI LONDON if use of these names constituted infringement of Hotel Cipriani's CTM registration of CIPRIANI or "passing off". Since both of these claims were successful, the counter-claim automatically failed.

Arnold J also pointed out that the defendants' objection to Hotel Cipriani's UK registration on the basis that a likelihood of deception would be increased if a second CIPRIANI restaurant was set up in London only served to support Hotel Cipriani's argument that its CTM registration had been infringed under 9(1)(b) CTMR.

PASSING OFF AND BREACH OF SECTION 56 OF THE 1994 ACT

Re-affirming the three stage test set out in the *Jif Lemon* case, Arnold J found that use of CIPRIANI and CIPRIANI LONDON in the UK by the defendants constituted "passing off" since Hotel Cipriani had a reputation and valuable goodwill in the UK in its CIPRIANI mark, notwithstanding that the Hotel Cipriani is situated in Venice.

The Judge found that the claimant had customers in the UK who booked the hotel and associated restaurants directly as well as via tour companies and travel agents and that this was sufficient to create a protectable and valuable goodwill in the CIPRIANI name. He suggested that the mere fact that the hotel had a

substantial number of customers in the UK might have been sufficient to create goodwill even if such direct bookings had not been made. However, this statement was *obiter* given the facts of the case.

It was further held that use of the defendants' CIPRIANI and CIPRIANI LONDON signs would create a misrepresentation since use of these signs would likely mislead a substantial number of members of the public into believing that the CIPRIANI LONDON restaurant was run by, or connected with, the Hotel Cipriani in Venice. Damage was easily established, it was considered, as a result of this deception.

As to whether the Hotel Cipriani was found to be 'well known' in the UK and therefore was entitled to protection by virtue of Section 56 of the 1994 Act, Arnold J again found in favour of the claimants.

He considered that the Hotel was famous as it was widely recognised by UK patrons of luxury international hotels (the relevant public) and enjoyed a prestigious reputation as a result of its long standing use and vast international press coverage and advertising. Since confusion had already been established in the assessment of whether there was infringement of CIPRIANI by the defendants' use of CIPRIANI LONDON in the UK, Hotel Cipriani was also entitled to an injunction under Section 56.

SUMMARY

Whilst this case does not outline any ground-breaking new principles of law with regard to the test for Likelihood of Confusion and/or "Passing Off", it does re-affirm the principle that use of an 'own name' defence to infringement can sometimes extend to legal persons.

However, in order for any business to be able to rely on this defence, there must be use of the registered Company name and not merely the trading name, as this would otherwise open the floodgates for Companies to choose any trading name and use this as an 'own name' defence to infringement, which as Arnold J highlighted, is surely not what Community legislation intended.

PRESTIGE BRANDS...

HOW TO PREVENT DAMAGE TO EXCLUSIVITY BY RESELLERS

CHRISTIAN DIOR has long had a reputation as an exclusive brand synonymous with quality and luxury and Dior are dedicated to maintaining this reputation amongst consumers.

Readers will remember the 1998 case of *Parfums Dior v. Evora* where Dior invoked their trade mark rights to object to resale and advertisement of their perfume products in less than luxurious surroundings. They alleged that damage to the reputation of their brand was damage which enabled them to prevent the resale of their products as an exception to the principle of exhaustion of rights. The ECJ agreed but only where serious damage would be caused to the reputation of the trade mark. The ECJ has now been asked for their views in connection with the unauthorised resale of DIOR lingerie products and the impact on the brand's prestige.

The case (*Copad SA v. Christian Dior Couture SA*) concerns the resale of DIOR products supplied to licensees and sold on to discount stores in contravention of the "prestige" clauses of the license. These prohibited resale of the licenced goods to discount retailers specifically, on the basis that this would damage the reputation and allure of Dior's luxury brands.

Three questions have been referred to the ECJ which Advocate General, Mme Juliane Kokott has answered as follows:

Q1 Must Article 8(2) of First Council Directive No 89/104 ... to approximate the laws of the Member States relating to trade marks be interpreted as meaning that the proprietor of a trade mark can invoke the rights conferred by that trade mark against a licensee who contravenes a provision in the licensing contract prohibiting, on grounds of the trade mark's prestige, sale to discount stores?

A1 Article 8 paragraph 2 of Directive 89/104 ... should be interpreted in the sense that a trade mark owner can invoke the rights conferred by that mark against a licensee who has breached a clause of a licence agreement which prohibits sales to discount stores, if that sale so seriously damages the prestige or image of a product that it calls its quality into question.

Q2 Must Article 7(1) of that directive be interpreted as meaning that a licensee who puts goods bearing a trade mark on the market in the European Economic Area in disregard of a provision of the licensing contract prohibiting, on grounds of the trade mark's prestige, sale to discount stores, does so without the consent of the trade mark proprietor?

A2 Article 7 paragraph 1 of Directive 89/104 should be interpreted in the sense that a licensee who commercialises products under a mark in breach of a clause of the licence agreement only acts without the consent of the owner of the trade mark if the licensee at the same time by such commercialisation infringes the rights conferred by the mark in the sense of Article 8 paragraph 2.

Q3 If not, can the proprietor invoke such a provision to oppose further commercialisation of the goods, on the basis of Article 7(2) of that directive?

A3 Article 7 paragraph 2 of Directive 89/104 does not permit the owner of the trade mark to oppose the commercialisation of products bearing its mark through a discount store through the mere fact that a clause in the licence agreement prohibits sale of the products to discount stores.

COMMENT

It is interesting to note that the Advocate General has now proposed expanding the principles established in the *Evora* case (preventing further commercialisation of goods where the brand is detrimentally affected) to situations where there is a pre-existing agreement (e.g. a licence) imposing quality control. Despite the fact that quality control provisions in a licence are normally directed at the characteristics of the goods, it seems that where luxury brands are concerned, they can extend to protection of the brand image even if this is not an explicit term of licence.

So once again, it seems that damage to prestige is a recognisable head of damage to a trade mark rights, but that damage must be serious before it will be actionable. We wait to see if the ECJ follow the Advocate General's view, or simply re-affirm the *Evora* principles..



OUT AND ABOUT

INTA ANNUAL MEETING 16-20 MAY 2009

Members of the Trade Mark Group will be attending the 131st INTA Annual Meeting in Seattle, USA.

ECTA ANNUAL MEETING 24-27 JUNE 2009

Jeremy Pennant will be attending the 28th ECTA Annual Conference in Vilnius, Lithuania.

For further details of these events please visit our Events page on the D Young & Co website: www.dyoung.com/out_and_about/events.htm



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