

THREATS ACTION AGAINST EBAY - THE DANGERS OF ONLINE TRADING

IP rights owners claiming that their rights have been infringed by eBay sales are warned to think carefully about any action they take. A recent decision resulted in one IP rights owner being sued himself after notifying eBay of an alleged infringement.

Readers will be aware that eBay uses its Verified Rights Owner Programme (VeRO) to deal with complaints by IP rights owners, offering them an alternative to suing eBay when they find infringing goods offered for sale on its site. Under the procedure, complainants submit a 'Notice of Infringement' form, specifying the alleged infringement and identifying the IP right which is said to be infringed. eBay then automatically de-list the goods in order to avoid infringement proceedings. No steps are taken by eBay to consider whether items are in fact infringing, and sellers are

automatically informed of the removal, together with contact details of the rights owner who has alleged infringement.

In *Quads 4 Kids v. Campbell* (2006) it was held that sending eBay such Notices of Infringement could sometimes constitute groundless threats of infringement, leaving rights owners open to injunction applications to restrain such threats and claims for damages.

The claimants, Quads 4 Kids, sold children's quad bikes on eBay. The defendant, Mr Campbell, had applied to register a Community Design for children's quad bikes, but had requested that the publication of the application be deferred so as to keep the details of the designs confidential. Campbell contacted eBay when he came across the items offered by Quads 4 Kids on eBay and claimed infringement of the (unpublished) Community Design through the VeRO procedure. eBay delisted the Quads 4 Kids goods.

Having prevented the eBay sales, Mr Campbell took no steps to enforce the Community Design (once granted) against Quads 4 Kids, who claimed that the registrations were invalid due to prior publication, and would not be enforceable. Quads 4 Kids then sought an interim injunction



against Mr Campbell, alleging that he had made unjustified threats against them by invoking the VeRO procedure.

The High Court Judge, Pumfrey J, considered that unsupported and unchallengeable allegations of infringement of registered rights were "potentially an exceedingly damaging abuse of those rights". He suggested a form of order to prevent further interference with Quads 4 Kids' sales of their bikes.

The test to be applied was whether a reasonable person such as the party allegedly threatened would have understood that he might have been subject to infringement proceedings at



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some point in the future. Since Quads 4 Kids could potentially suffer damage as a result from being excluded from eBay, and Campbell had not demonstrated an ability to compensate for such losses, the injunction was granted.

This particular decision involved a Registered Community Design right. However, there are similar threats provisions in UK statute law in relation to trade marks, UK registered and unregistered design rights and patents. The Court stated its concerns at the ability of a rights owner to use the VeRo program to "snuff out an avenue of the claimant's business" without the need to follow up with formal proceedings, or any proper investigation of the veracity of the claim.

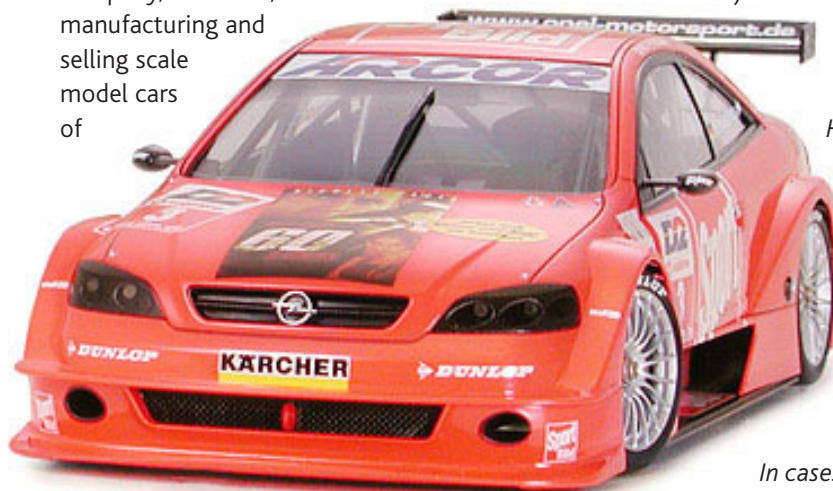
However, the threats provisions in UK law and the CTM Designs Regulation were intended to prevent threats being made against the customers and retailers of an alleged infringer, which can materially damage their business. Surely eBay cannot be expected to individually investigate every item sold on its auction site?

The VeRO program operated by eBay still remains among the most practical and cost-effective means of IP rights enforcement. However, the decision highlights the wide-ranging application of the "groundless threats" provisions, and raises the possibility that enforcement through eBay's VeRO program may then leave IP owners vulnerable to threats proceedings. Enforcement inevitably carries risks; however it may be that new strategies to minimise the potential liability for a threats action now need to be considered.

ECJ COMES OUT IN FAVOUR OF GERMAN

When the German motor manufacturer, Adam Opel AG decided to protect their new logo in 1990, they had the foresight to seek registration not only for motor cars but also for toys, a term which would include scale model cars.

In early 2004, it came to Opel's attention that another German company, Autec AG, was manufacturing and selling scale model cars of



their Opel Astra V8 Coupé which replicated not only the car but also featured Opel's logo.

Opel sued Autec in the German Court for infringement of their Opel logo and the German Court concluded that the registration would only be infringed if the use of the logo by Autec on the model cars was use of the trade mark in the course of trade.

The German Court decided that the interpretation of "use in the course of trade" was a fundamental question and required the guidance of the ECJ; therefore, they stayed the case while they referred three questions to the European Court of Justice. The actual questions were:

(1) *Does use of a trade mark which is registered for "toys" constitute use as a trade mark for the purposes of Article 5(1)(a) of the Trade Mark Directive if the manufacturer of a toy model car copies a real car in a reduced scale, including the trade*

mark of the proprietor of the trade mark as applied to the real car, and markets it?

If the answer to the Question 1 is in the affirmative:

(2) *Is the type of use of the trade mark described in Question 1 an indication of the kind or quality of the model car within the meaning of Article 6(1)(b) of the Harmonisation Directive?*

If the answer to Question 2 is in the affirmative:

(3) *In cases of this type, what are the decisive criteria to be applied in assessing whether the use of the trade mark is in line with honest practices in industrial or commercial matters?*

Clearly, if the plaintiff's trade mark was merely being used as an indication of the kind or quality of the model car within the meaning of Article 6(1)(b), the manufacturers of the toy model car would have a defence to trade mark infringement proceedings so long as the use was in accordance with honest practices in industrial or commercial matters.

In its judgement, the ECJ concluded that they must give a uniform interpretation to Article (5)(1)(a) of the Directive, in particular in respect of the term "use" which appears therein, in order to prevent the protection afforded to the proprietor varying from one member state to another.

Following its reasoning in the Arsenal Football Club case (case C-206/01, reported at [2002] ECR

MOTOR MANUFACTURER

0273), the Court considered that it was indisputable that the use of the offending sign by Autec, being identical to the registered trade mark, was indeed use in the course of trade, since it took place in the context of commercial activity with a view to the third party gaining an economic advantage. Therefore, the use of the trade mark by Autec was not a private matter, so as to escape infringement under Article 5(1)(a).

It was also undisputed that the use was made without the consent of the proprietor of the mark, and since the Opel logo had been registered for toys, the use of the logo in relation to scale model motor cars was use on the identical goods.

On the face of it, since Autec were using the identical mark on identical goods as covered by the German trade mark registration, there was an infringement of the exclusive right to use this sign conferred by the mark.

However, the ECJ reaffirmed that this right can only be exercised if the use by a third party of the sign is liable to affect the function of the trade mark, in particular, its essential function of guaranteeing to consumers the origin of the goods.

Therefore, the affixing by a third party of an identical sign to identical goods cannot be prohibited unless it affects, or is liable to affect, this guarantee function.

The question here was whether the average consumer would perceive the use of the Opel logo on the scale model car as performing a trade mark origin function or simply being a necessary feature if, as most consumers would tend to expect, such scale models should be faithful reproductions of the original.

Such a decision was essentially a matter of fact to be decided by the local Court,

despite the fact that the questions put to the ECJ in this case clearly invited a decision on the facts. Nevertheless the ECJ concluded that the answer to question (1) was affirmative.

The Court went on to consider the correct interpretation of Article 5(2) of the Directive (infringement where the goods are not similar) despite the fact that the referral questions did not request their views on this. To an extent, this section of the ECJ's Decision was redundant!

After reviewing the registration of the Opel logo for motor cars, the ECJ concluded that a motor vehicle and a scale model of that vehicle are not similar products. However, given that the OPEL trade mark is well known in Germany, Article 5(2) of the Directive could be enforced if the trade mark enjoyed a reputation and the infringing use was made without due cause and took unfair advantage of, or is detrimental to, the distinctive character or the repute of that trade mark registered for motor vehicles. This, the ECJ considered, was for the national court to decide.

Turning to the second question, the ECJ were quite categorical that the affixing of the trade mark to the scale models was not designed to indicate the intended purpose of those toys; such use of the Opel logo did not in any way indicate the kind, quality or any other characteristics of the scale models. Therefore, Autec AG had no potential defence to infringement under Article 6(1)(b) of the



Directive.

As the Court had answered question 2 in the negative, it considered that there was no requirement to answer question 3.

This judgement follows very much in the spirit of the ECJ's previous decision in Case C-206/01 regarding Arsenal v. Matthew Reed which found that the registered proprietor is entitled to prevent third parties from using the registered proprietor's trade mark, even if it is claimed that the use is purely for decorative purposes, because that use is still for commercial gain and dilutes the basic function of the mark, which is to indicate the source from which the goods originated.

It is interesting to note that the EC Commission intervened in this case insofar as the proper interpretation of Article 6(1)(b) of the Directive was concerned, to express the view that in some cases, where scale models were concerned, identical reproduction of each detail might constitute an essential characteristic of that category of goods, so as to invoke the Article 6(1) defence to infringement (always provided such use is in accordance with honest practices in industrial or commercial matters).

While the ECJ rejected this line of argument here, the door must remain partially ajar for similar arguments in other cases, notwithstanding this Decision.

WHO HAS DESIGNS ON YOUR TRADE MARKS?

As the Registered Community Design (RCD) reaches its fourth birthday in April this year, we review how trade mark owners are increasingly using the Community Design Regulation both to protect and enforce their rights.

Two of the most recent decisions issued by the Cancellation Division show an interesting collaboration between Louis Vuitton and Calvin Klein, who have jointly taken action against an individual in Spain who registered the following designs:



Louis Vuitton and Calvin Klein based their claims not only on an earlier RCD, but also CTMs as set out below. In each case they were successful in arguing that their distinctive signs had been used in a subsequent design prohibited by the Community Design Regulation.



These cases show the increasing trend for brand owners to use the overlap between trade mark and design law to protect their rights.

In contrast to design protection in some of the other major IP jurisdictions around the world, design protection in the EU is extremely broad, swift to achieve and

remarkably cost effective (see below!). The get-up of products and graphic symbols can be protected together with packaging. There are, however, some initial requirements.

Firstly, for a design to be registrable it must be new. This requirement is satisfied if no design that is either identical or whose features differ only in immaterial details is already in the public domain. Applicants have a 12 month grace period. Secondly, the design requires individual character to be protected. For this the overall impression produced by the design on informed users needs to differ from the overall impression produced by any designs already in existence.

Trade mark owners have for many years used, and are still attempting to use, the CTM system to obtain protection for the shape of their goods or the packaging. In the leading case of *Phillips v. Remington* the Advocate General was of the view that RCDs might be not only more appropriate, but also easier to obtain than CTM protection for the Applicant's 3D shaver head. The European Court of Justice (ECJ) has, on numerous occasions, reiterated that the shape of goods or

packaging is unlikely to have trade mark significance to the average consumer. Despite this, brand owners persist in attempting to use the trade mark system to obtain protection for marks or signs which arguably would be better protected as designs.

Our last Newsletter (January 2007)

reported the Advocate General's opinion in the attempt by Dyson to seek trade mark protection for one of the visible functional features of their well-known vacuum cleaner. The ECJ, in a forceful decision, has now held that the application did not constitute a trade mark at all. The view of the Court was that Dyson were seeking to obtain trade mark protection for the concept of a transparent collecting bin, which basically was a mere design feature.

Design protection also extends to logos and can also incorporate trade marks appearing within RCDs, for example, on packaging. Initially, concern was expressed that design protection only lasted for a maximum duration of twenty five years; however, there is nothing in the Design Regulation which prevents designs from being subsequently protected as registered trade marks. A further significant advantage of design protection is that there is no substantive examination process and no formal opposition period. RCDs are therefore processed significantly faster than CTMs with filing to registration often taking as little as eight weeks. Another attractive aspect is that any number of designs can be included in a single multiple application. With the European Union now extending to 27 Member States, base official fees of less than 900 Euros for the full twenty five years of protection equates to less than 2 Euros per territory per year!

Increasingly we are finding that clients are asking whether they should apply for a CTM, RCD protection or both in Europe. A number of factors will influence the advice, including the novelty of the sign/design and the length of time that it is anticipated the sign/design is likely to be used.

In conclusion, clients and practitioners alike are strongly recommended to bear in mind the additional advantages of registered design protection and to remain fully aware of the extent to which the trade mark and design registration systems in Europe now overlap.

THE BEST FORM OF (FIRST) DEFENSE IS ATTACK

DEF TEC's Successful Appeal Before the CFI

When does consent to trade mark registration become invalid? Does it survive a business transfer? These issues were discussed before the CFI in Case T-6/05 DEF-TEC Defense Tech GmbH v OHIM & others.

Case Background

Defense Technology Corporation of America ("the Wyoming Corporation"), owned US trade mark registrations for several marks including the words FIRST DEFENSE for aerosol sprays with irritant properties. In June 1996, the President of the Wyoming Corporation, Mr Oliver, gave consent to the Applicant, DEF-TEC, (with whom the Wyoming Corporation had business relations) to register, as a CTM, the name FIRST DEFENSE AEROSOL PEPPER PROJECTOR.

In October 1996, Defense Technology Corporation of America ("The Florida Corporation") purchased the assets of Defense Technology Corporation of America ("The Wyoming Corporation"), including their US registrations for and including FIRST DEFENSE.

In 1997, the Applicant applied to register a CTM for

FIRST DEFENSE AEROSOL PEPPER PROJECTOR in a device format covering goods in classes 5, 8 and 13.

Defense Technology Corporation of America then opposed DEF-TEC's CTM application as being contrary to Art 8(3) of CTM Regulation 40/94.

This Article prohibits unauthorised registration of a trade mark by an agent or representative of the trade mark owner, unless there is consent from the owner, or the agent/representative justifies his action. Oppositions under Article 8(3) CTMR are rare, so this decision is of considerable interest.

The Opponent claimed that they did not give consent to the Applicant for their registration of FIRST DEFENSE AEROSOL PEPPER PROJECTOR and that any consent previously agreed between the Applicant and the Wyoming Corporation would be invalid as the Wyoming Corporation no longer owned the rights in the US FIRST DEFENSE marks.

The Applicant claimed the consent still held and the Opponent was bound by it.

The Opposition Division found initially in both parties' favour; the Applicant was allowed to register FIRST DEFENSE for most of the goods claimed except "sidearms" in class 8 and all goods in class 13, as the application contravened Art 8(3) of CTM Regulation No. 40/94 for these goods.

The Applicant then appealed to the OHIM Second Board of Appeal, who upheld this decision and ordered the Applicant to pay the costs. The Applicant took the case on further appeal to the CFI and submitted two pleas in law;



1. The Opposition Division's decision was procedurally void as the Decision, which was transmitted by facsimile, was unsigned and therefore contrary to Rule 79 (a) and (b) of the Implementing Regulation.
2. There was no infringement of Art 8(3) of Regulation No 40/94, as the Opponent had consented to the application to register FIRST DEFENSE, by virtue of a signed Declaration of consent (in June 1996) from the Wyoming Corporation.

CFI Decision

The Applicant's first plea failed since the CFI noted that Rule 79(a) and (b) was not applicable and that the OHIM decision complied with the formal requirements as laid out under Rules 55, 61 and 65 of the Implementing Regulation.

The CFI found in favour of the Applicant's second plea and annulled the Second Board of Appeal's decision.

The Court considered that the Appeal Board was wrong in not fully considering the continued validity of the consent made in the Declaration between the Applicant and the Wyoming Corporation, and for failing to determine whether the consent survived the purchase of the Wyoming Corporation's assets.

The Case was remitted to the OHIM Examiner for further consideration of these issues.





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RETAIL THERAPY IN JAPAN

As of 1 April 2007 it will be possible to file national trade mark applications in Japan to cover retail services. Every application made between this date and 30 June 2007 will, however, be allocated the same filing date!

'This system could lend itself to problems', we hear you say? Not so, since it seems that where two (or more) confusingly similar marks covering retail services are applied for between 1 April 2007 and 30 June 2007, lots will be drawn and the successful applicant is awarded the registration!

Fortunately there are exceptions. These are:

Prior Use

If an applicant can submit evidence of use in Japan prior to 1 April 2007, they will have priority for registration. Plural registrations may also be awarded, where more than one applicant can demonstrate prior use.

Right to Continue Use

Anyone who can demonstrate use of their mark in Japan prior to 1 April 2007 will also have the right to continue using the mark, notwithstanding any identical or confusingly similar registration belonging to a third party.

As is often the case, prevention is better than a cure! Ensure that new filings covering retail services are made within this three month period and dig out the proof of use!

For further information please contact your usual D Young & Co advisor.



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