

TRADE MARK NEWSLETTER

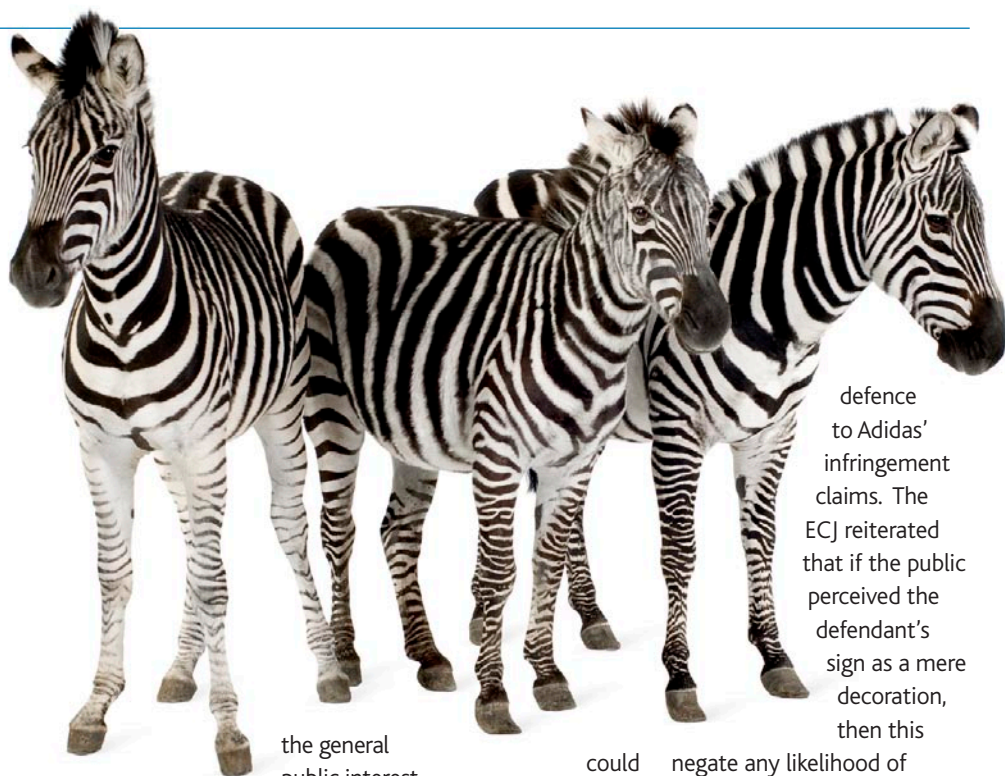
TWO STRIPES
OR THREE?

The European Court of Justice (ECJ) issued their judgement on 10 April 2008 in the latest instalment of several cases involving Adidas and the scope of the monopoly protection resulting from their registered trade marks for three parallel stripes – a logo which is undoubtedly highly distinctive for their goods.

The case was referred back to the ECJ by the Dutch Courts, where Adidas had sued various third parties including H&M Hennes, C&A and Marca Mode. The defendants had begun to market sports and leisure garments featuring two parallel stripes, the colour of which contrasted with the basic colour of their garments. Adidas sued for trade mark infringement. Earlier proceedings against Marca Mode on similar facts had gone initially against Adidas when it was held by the ECJ that use of a design that was merely decorative or viewed as an embellishment (and therefore not trade mark use) would not amount to an infringement.

In these proceedings the defendants had sought a declaration before the Dutch Courts that they were free to place two stripes on their sports and leisure garments for decorative purposes, but the Dutch Courts had found that use of the two stripe motif by each of the defendant companies was an infringement of the Adidas registration. On appeal, the finding of infringement was reversed and the request for a declaration that the defendants were free to use a two stripe motif on their goods was rejected as being too general.

At that point, various technical questions were again referred to the ECJ by the Dutch Appeal Court for a preliminary ruling, focussing on the extent of Adidas' monopoly rights. The main point at issue was whether account should be taken of



the general public interest in ensuring that the availability of non-distinctive signs was not unduly restricted for other traders when considering infringement. The Court concluded that the requirement of availability of such signs cannot be taken into account in the assessment of the scope of the exclusive rights resulting from a trade mark registration.

The ECJ said the only exception to this is where, under Article 6(1)(b) of the Directive, "the concept of the free movement of goods and provision of services is reconciled with the fundamental interests of trade mark protection". This means that the proprietor of a trade mark cannot prohibit a third party from using descriptive indications which merely concern the kind, quality, quantity, intended purpose, value or geographical origin of the goods or other characteristics of the goods and services provided that they are used in accordance with honest practices.

Since the defendant's two stripe motif is not obviously a descriptive indication of the type envisaged by Article 6(1)(b) of the Directive, the clarificatory statements by the ECJ suggest that they will have no

defence to Adidas' infringement claims. The ECJ reiterated that if the public perceived the defendant's sign as a mere decoration, then this could negate any likelihood of confusion for infringement purposes. However the Court went on to point out that if, despite the decorative nature of the

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UK OPPOSITIONS TRIPLE UNDER NEW PRACTICE

sign, the relevant public is likely to perceive that the goods which it “decorates” come from the same undertaking, or economically linked undertakings, then there would be an infringement of the earlier right.

It is also interesting to note that the ECJ commented in detail on the factors affecting this assessment when a trade mark is well known; they reiterated that it is more likely in such a situation that there will be an association between the later sign and the earlier trade mark. This is a well established point, but the Court went on to comment that the more a trade mark is well known, the greater the number of operators who might want to use similar signs, with a consequent diluting effect on the distinctive character of the trade mark. This will potentially jeopardise the essential function of the mark, i.e. to operate as an indication of origin. These comments suggest that the ECJ’s sympathies lay with Adidas.

Clearly the defendants were hoping that the ECJ would rule that the public interest in safeguarding the availability of a “non distinctive sign” for use would constitute a relevant factor for determining whether use of the sign takes an unfair advantage of or is detrimental to the distinctive character or the repute of “weak” earlier trade marks. In this regard, notwithstanding that the ECJ issues a decision on the law rather than providing a judgement on the fact in question, the overall conclusion here is that Adidas’ hand will have been strengthened by this ruling.

The case will now go back to the Dutch Courts for a final decision. Before this occurs, however, the ECJ will shortly be ruling on another important dilution case, this time referred by the UK Courts, namely, *Intel v. Intelmark*. We will comment in this judgement in a future issue of this Newsletter.

In previous editions of our Newsletter, we have flagged the major change to examination practice in the UK which came into effect on 1 October 2007. In short, UK trade mark applications are no longer rejected by the UK IPO on the basis of conflicts with marks already on the register – it is up to the owners of earlier marks to file opposition if they wish to prevent a conflicting application reaching registration.

Less than 3% of UK applications were actually opposed under the old examination practice, the UK IPO having already applied an initial ‘filter’ and refused applications where there was a conflict with an earlier mark. Since the new practice came into effect, however, the number of UK oppositions has more than tripled – currently, around 10% of applications are being opposed. For comparison, around 17% of Community applications are opposed (although it is surprising that this figure is not higher considering there are 27 EU Member States from which oppositions can emanate).

This increase in the number of UK oppositions is predictable, given that the UK IPO is no longer acting as an ‘unofficial guardian’ of registered trade marks and the burden is now on trade mark owners to object to new applications where there is a conflict. Trade mark owners are having to adopt a more proactive approach when it comes to preventing third parties from registering trade marks which look too close their own.

What are the implications of the new practice for trade mark owners? Although the UK IPO notifies the owners of earlier UK marks if a potentially conflicting application is filed, the applicant still has a chance to argue that there is no conflict, for example because they feel that the marks are not sufficiently similar or the goods/services are far enough apart. If such arguments are successful, the UK IPO does not notify the owner of the earlier mark of the new filing.

This is of potential concern to owners of earlier marks, particularly where the marks are close but the Examiner takes the view that they are not quite close enough for the owners of the earlier marks to be notified.

This all serves as a useful reminder of the importance of having a watching service in place to act as a safety net, ready to catch applications which the UK IPO deems not to be sufficiently similar for a notification to be sent. Watching services generally cast a broader net than the UK IPO, meaning that trade mark owners are notified of new applications which the Examiner may have discounted as a potential conflict, but which the trade mark owner nevertheless wishes to oppose. It will be interesting to see if the opposition rate in the UK increases further over time as trade mark owners become more familiar with the new practice and begin to rely more on their watching service.



PARALLEL IMPORTS – THE SAGA CONTINUES

The latest decision in the long running saga involving parallel importers Swingward and Dowelhurst was handed down by the UK's Court of Appeal on 21 February 2008. The matter has been ongoing since 1999 and in the time that has elapsed, three of the original complainants, Glaxo Group Limited, The Wellcome Foundation Limited and Smithkline Beecham have amalgamated! However, even this latest decision has not put an end to the debate as to when it is legitimate for a parallel importer to repackage goods to improve access to a local market.

The underlying motive for a parallel import is to exploit the difference between product pricing in one country, where the goods are originally put on sale, relative to the retail price in the country where the parallel imported goods are offered. The trade mark owner's hands are often tied in terms of their local pricing arrangements as a consequence of state intervention/regulation, so they have relied on IP rights, especially trade marks, to restrict such activities.

Unsurprisingly, they have shown an extreme reluctance to concede that a parallel importer can add his own brand to repackaged and imported products, remove their original trade mark completely from the new packaging or partially de-brand. They have argued that such co-branding, de-branding or partial de-branding is intrinsically harmful to the reputation of the trade mark or its proprietor, such that all activities of this type should be considered trade mark infringement.

While the European Courts appear prepared to accept that trade mark owners have some right to control onward dealings in their goods after they have been first marketed under their brands, most of the repackaging activities engaged in by parallel importers are unlikely to be proscribed. In the return trip to the European Court of Justice made by the current case, the ECJ reiterated that if it was necessary to repackage products to

gain effective access to a particular market, this could be done provided that the reputation of the trade mark was not harmed as a consequence.

The trade mark owners had argued that the particular manner and style of repackaging should also be considered where necessity was in issue, but the ECJ rejected this argument. They did state that the onus fell on the parallel importer to demonstrate that it had met the five conditions (the "BMS conditions") concerning repackaging set out in the Bristol Meyers Squibb v Paranova decision (a case decided as long ago as 1996) but held that the onus then fell on the trade mark proprietor to show that the repackaging was liable to or had actually damaged their reputation in their trade mark.

The latest decision from the UK Court of Appeal (Boehringer Ingelheim KG & Anon v Swingward Limited [2008] EWCA Civ 83) finally makes it clear that there can be no infringement where the original trade mark is removed from the repackaged goods in its entirety; according to Jacob LJ, who gave the lead judgement, this cannot amount to trade mark infringement, since there is simply no use of the trade mark in any shape or form. Thus, no damage to the trade mark could occur.

Considering partial de-branding, his starting point was that the trade mark owner has no right to insist that the original mark stays on the goods in the aftermarket; thus, it was not legitimate to argue that all partial de-branding was damaging because the proprietor's trade mark had less exposure than it would have had if it had been left on the pack in the original form.

Nevertheless he conceded that the manner or form of partial de-branding could, in principle, hurt the image or prestige of a trade mark, depending on how it was done. However, any tribunal could assess whether, as a matter of

fact, this was the case. At an earlier stage in the current proceedings, the High Court Judge (Laddie J.) had concluded that the specific de-branding complained of did not damage the claimant's trade marks and this finding was upheld by Jacob LJ in his latest judgement.

The arguments on co-branding and the potential harm to the proprietor's mark were then dismissed in typically robust style by Jacob LJ; he pointed out that the pharmaceutical companies routinely allowed major customers such as Boots or other retail chemists to co-brand. Against this background, it was impossible for the claimant's argument that co-branding was intrinsically harmful to the reputation of their mark to succeed. Again, the finding by Laddie J at First Instance in the present case (that the co-branding was, in this case, not in fact harmful to the proprietor's trade mark rights) was upheld.

It might be thought that the current judgement represented an end point for the present disputes, but the Court of Appeal felt constrained to suspend their final decision while the ECJ reconsidered (this time on referral from the National Courts in Austria) a new query on the BMS conditions.

Seemingly, the Austrian Court has asked the ECJ to indicate whether there was an additional principle of "minimum





GILLIAN DEAS IS APPOINTED NEW ITMA PRESIDENT

The D Young & Co Trade Mark Group would like to congratulate Gillian Deas on her ITMA Presidency and wish her every success during her term.

Gillian was elected a Fellow of the Institute of Trade Mark Attorneys in 2002 and became Senior Vice President in March 2006. She is also a member of the Pharmaceutical Trade Marks Group and the Registry Practice Working Group - Designs.

Gillian's full profile can be viewed on the D Young & Co website:
www.dyoung.com/people/staff/gilliandeas.htm



OUT AND ABOUT

17-21 MAY 2008
[INTA ANNUAL MEETING](#)

Penny Nicholls, Jeremy Pennant, Gillian Deas, Angela Thornton-Jackson, Vivienne Coleman, Helen Cawley and Mark Snowball will be attending the INTA Annual Meeting in Berlin.

18-21 JUNE 2008
[ECTA ANNUAL CONFERENCE](#)

Jeremy Pennant and Gillian Deas will be attending the ECTA Annual Conference in Killarney, Ireland in June. Jeremy will be giving a presentation on the subjects of acquired distinctiveness and survey evidence.

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intervention”
on top of the BMS conditions, i.e. not only must the repackaging be necessary (and not such as to damage the reputation of the trade mark/its proprietor), but the format of the repackaged goods should, in some way, as yet undefined, represent the minimum in terms of interference with the original packaging/presentation for the goods.

Quite how to define what represents “minimum intervention” remains to be seen; in his obiter comments on this point, Jacob LJ suggested that this test could be “nearly unworkable” since it would involve consideration of minutiae such as the size of the importer’s name on the pack. He suggested that the best test was the one upheld by the ECJ on the second referral from the UK Courts in the present case, namely that the form of presentation must not cause damage to the mark, as a matter of fact.

Unless the ECJ has a change of heart about the Austrian Court’s referral and decides to reject it, on the basis that the issues had already been decided in their previous rulings, it appears that the repackaging issues in this case are unlikely to be finally decided by the UK Courts until at least 10 years from the time when the original complaint was filed!



O2 (UK) LIMITED V HUTCHISON 3G – THE COMPARATIVE ADVERTISING DISPUTE CONTINUES

Readers will recall that in the May 2007 edition of our Trade Mark Newsletter, we reported the decision of the UK Court of Appeal regarding Hutchison 3G Ltd's use of bubble imagery in comparative advertisements which were similar but not identical to registered Bubble Device trade marks held by O2. The Court of Appeal referred three questions to the ECJ for clarification, which were as follows:

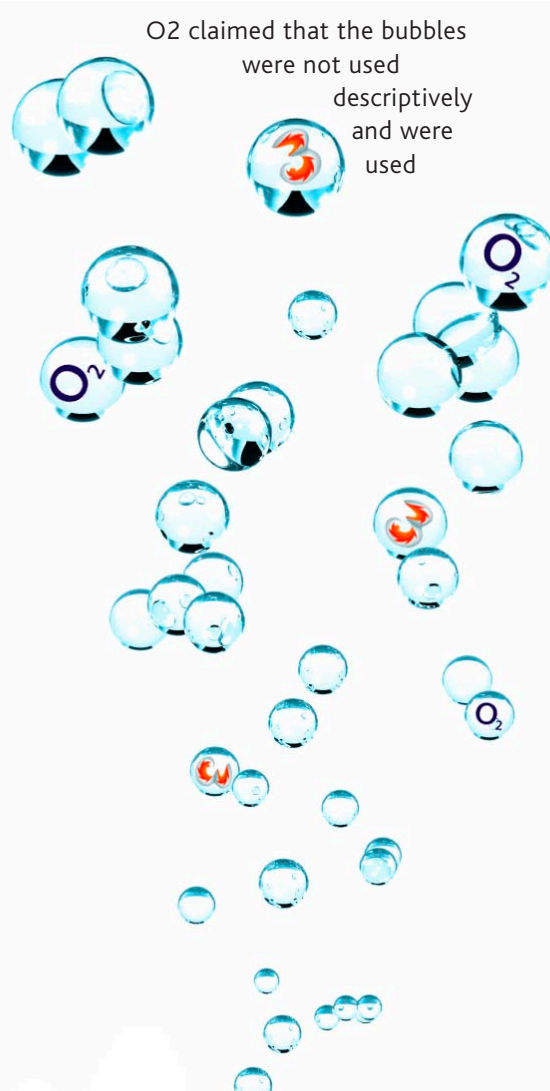
1. Where the defendant in the course of trade uses the sign purely for the purposes of comparing the merits (including price of his goods or services) with those of the trade mark owner and in such a way that it cannot be suggested that the essential function of the trade mark to guarantee the trade mark as an indication of origin is in anyway jeopardised, can this use fall within Art.5(1) of the Trade Marks Directive?
2. Where the defendant uses in comparative advertising the registered trade mark of another, must that use be indispensable in order to comply with the Comparative Advertising Directive and, if so, what are the criteria by which such indispensability is to be judged?
3. In particular, if there is a requirement of indispensability, does the requirement preclude any use of a sign so similar to the registered trade mark as to be confusingly similar to it?

Readers will recall that the background to this case is that under Art.5(1) of the Trade Marks Directive, the owner of a registered trade mark is entitled to prevent third

parties from using in the course of trade any sign identical to the trade mark in relation to identical goods or services; or any sign which is similar to the trade mark in relation to identical goods or services, where there exists a likelihood of confusion on the part of the public.

In the UK Court action, O2 argued that any use of a bubble sign in the course of trade would amount to an infringement of Art.5(1), but Hutchison 3G argued that the bubble sign must be used as a trade mark in order to infringe, i.e. as an indication of origin of their services as opposed to purely descriptive use.

Alternatively, the defendants argued that this use fell within the defence for infringement in Art. 6 of the Directive if it complied with the Comparative Advertising Directive.



referentially as a way of describing Hutchison's own services by comparing them with those of O2.

O2 also argued that the terms of the Comparative Advertising Directive included a requirement of necessity, i.e. that the trade mark was indispensable to the advert; otherwise using the third party trade mark would take unfair advantage of that trade mark.

The Advocate General's opinion, suggesting how the European Court of Justice should answer these three questions, has now issued. Interestingly the Advocate General has rejected the argument that trade mark law has any role to play in the field of comparative advertising in Europe. He believes that the Comparative Advertising Directive exhaustively covers this issue, such that Art.5(1) or indeed any other national laws of Member States relating to trade marks, have no application to the issue of comparative adverts.

Accordingly, the use of a competitor's trade mark in such an advertisement is prohibited only if it fails to comply with the requirements of the Comparative Advertising Directive.

The provisions of the Directive require that the advertisement not be misleading, it must compare similar products on an objective basis and must not take unfair advantage of, discredit or denigrate the trade mark of a competitor, nor must it create confusion in the market place.

According to the Advocate General, provided that these provisions have been satisfied, comparative adverts will always be permissible, even if they feature someone else's trade marks, or even something similar.

In answering questions two and three, he notes that the Directive has no express requirement that the use



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O2 (UK) LIMITED v HUTCHINSON 3G - THE COMPARATIVE ADVERTISING DISPUTE CONTINUES

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of another's trade mark must be indispensable to the advertisement, nor can such a requirement be implied.

We must now wait to see whether the ECJ will follow the reasoning of the Advocate General when the full decision is rendered. Important consequences can result from the displacement of trade mark law principles by the Comparative Advertising Directive rules in such cases. A particular concern is the loss of the usual civil law remedies available to trade mark owners, where they do believe their rights have been infringed.

UK individuals and businesses have no separate cause of action under the Comparative Advertising Directive. They may only refer complaints about such advertisements to Trading Standards Officers. Remedies such as damages or interim injunctions will not usually be available and instead trade mark owners will need to rely on these public bodies to take up any objections.



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