

LONDON OLYMPIC BILL: 2012 WAYS TO STOP THE COMPETITION?

"If unofficial organisations ambush the use of our logo, the Olympic rings and the uniqueness of the rights relating to the Games, the value of our sponsorship deals will be reduced. LOCOG would then have to look elsewhere to meet any operating shortfall."

The London Olympic Bill, drawn up by the Department for Culture, Media and Sport (DCMS), was enacted to ensure sponsors get the protection they require for the 2012 games. However, there are widespread concerns that the protection granted under this law goes far beyond the protection that brand

owners are normally entitled to. Existing legislation already prevents the use of the Olympic rings and other distinctive Olympic symbols by non-official sponsors. The new bill goes far beyond any previous protection, making just about any reference to the Olympic Games in London an infringement.

More specifically the bill creates the new 'London Olympic Association Right' preventing businesses from using any combination of the terms '2012', 'Olympics', 'London', 'summer' or 'Games' in any promotional material. These strict rules mean that any

such representation which creates a likelihood of association with the London Olympics will be in breach of the legislation.

It is strongly arguable that the proper test should be whether there is a likelihood of confusion in the minds of the public that the business in question has a connection with the Olympics, not merely an association. ►

In recent years attempts to prevent companies exploiting the monopoly rights of official sponsors at sporting events have been increased. Consequently there has been a surge of extraordinary restrictions placed on the management of such events. The most recent saw Dutch supporters banned from wearing trousers displaying the logo of a "non-official" beer company at the 2006 World Cup event in Germany.

"Rogue" companies are increasingly using the strategy of ambush marketing to create a false impression that their brand is associated with a sporting event. In a bid to protect official sponsors at the London 2012 Olympics, UK legislation has recently been implemented in the form of the London Olympic Bill.

The Chairman of the London Organising Committee for the Olympic Games (LOCOG), Sebastian Coe, has said: "The restrictions on unlawful advertising and ambush marketing are vital to LOCOG as sponsorship revenue is a key contributor to our £2 billion operating budget."

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SUBSCRIPTIONS

The DCMS says that factual references to London and the Olympics will still be legal and phrases such as "Come to London in 2012" are not subject to a blanket ban. It has stated that: "While such expressions may be used to create an association with the Olympics, there will be many cases in which there is clearly no link to the Games.

It will have to be decided on a case by case basis whether infringement has occurred, but the intention of the bill is to adopt a common sense approach."

However it is exploitation through licensing of the new rights which accounts for the vast majority of the Olympic organisation's revenue. This poses the question to what extent the common sense approach is likely to be adhered to.

Undoubtedly the vast amount of revenue invested by official sponsors means they are likely to require wide protection in order to make their investment worthwhile. It does seem however, that the balance has swung in their favour and than businesses outside the "magic circle" should take a cautious approach to promotional activities come 2012.

IT'S ALL RELATIVE... ABOLITION OF CONFLICT EXAMINATION IN THE UK

Following consultation with interested parties and regular users of the trade mark registration system in this country, the UK Patent Office has announced that it will abandon examination of new filings for conflict with prior rights (examination on "relative grounds") in October 2007.

Instead the UK Registry will conduct a so called "official search" listing potential conflicts and will issue this to the applicant. Simultaneously the owners of the earlier rights listed in the search report will be informed of the new filing. This will bring their practice into line with OHIM.

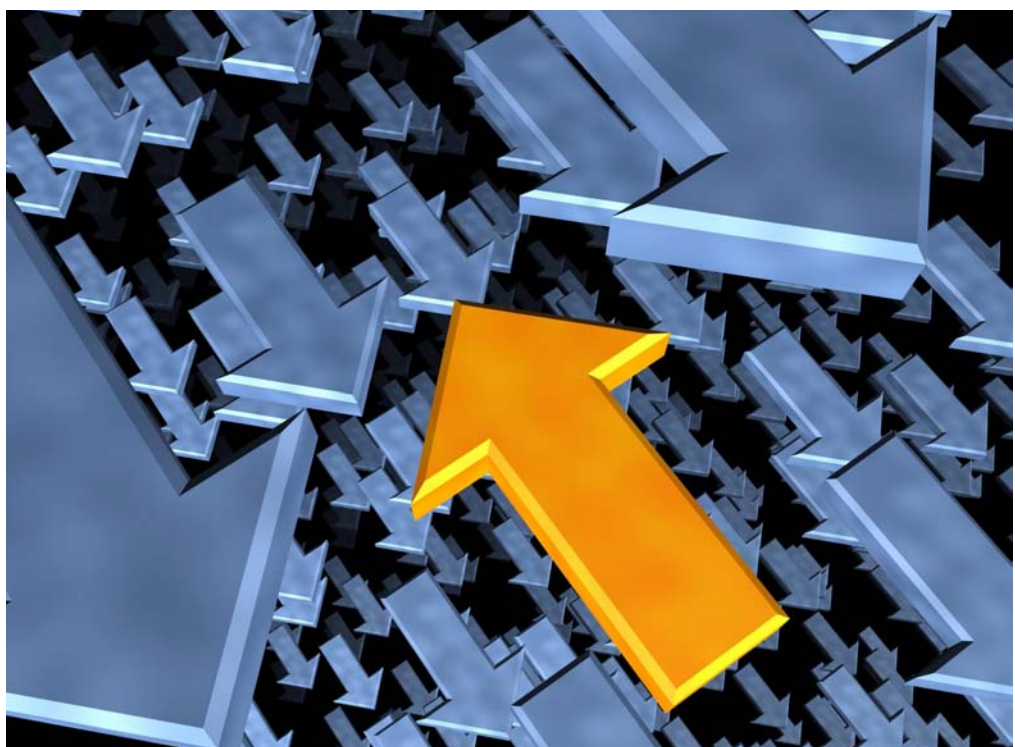
The new application will then be published in the normal way and it will be up to the prior rights owners receiving this notification (and any other interested party) to file an opposition if they consider that there is a conflict with their earlier rights.

When a similar procedure was brought into effect in Denmark, the number of oppositions filed increased by 100% in the first year of the new regime.

An equivalent increase in opposition work may be predicted for the early stages of the new UK system, although it remains to be seen how many earlier rights the compilers of the new official search will consider worth listing.

This change in UK practice was flagged at the time the new law came into force (October 1994), although the indication then was that it would not be implemented until at least 10 years after the revised legislation had been operative. The Trade Mark Registry have kept their word in this regard, despite the serious reservations expressed by those representing small or medium businesses who favoured retention of the current full examination system.

The new arrangements will put more of the burden on the owners of prior rights to police their marks and challenge later conflicting filings. Use of watching services and other monitoring procedures will doubtless increase as a consequence of this new change.



CHANGES IN OHIM PRACTICE AND PROCEDURE: AN UPDATE

It is now 10 years since the Community trade mark came into existence. It has proved highly popular with trade mark owners. This year a record number of new filings (75,000) was received by OHIM. More than 75% of the marks registered in the first year (1996) have been renewed, something which has surprised OHIM themselves.

As a consequence of this overwhelming success and user uptake, OHIM now have a substantial budget surplus and they are looking to spend the monies generated on improving their service to trade mark owners.

One proposal is to speed up the registration process; currently the average period in which registration of an unopposed mark can be achieved is 15 months. The aim is to reduce this period to between 8-9 months over the next year or so.

To achieve this, the trade mark registration department was recently split into two and put in the overall charge of the previous head of trade marks at the German Patent Office, who has considerable experience of administration in this field.

OHIM are currently revising and consulting on their published practice Guidelines in relation to examination, oppositions, cancellation and the CTM/Madrid link. All of these are due to be issued before the end of this year, which is expected to greatly assist practitioners.

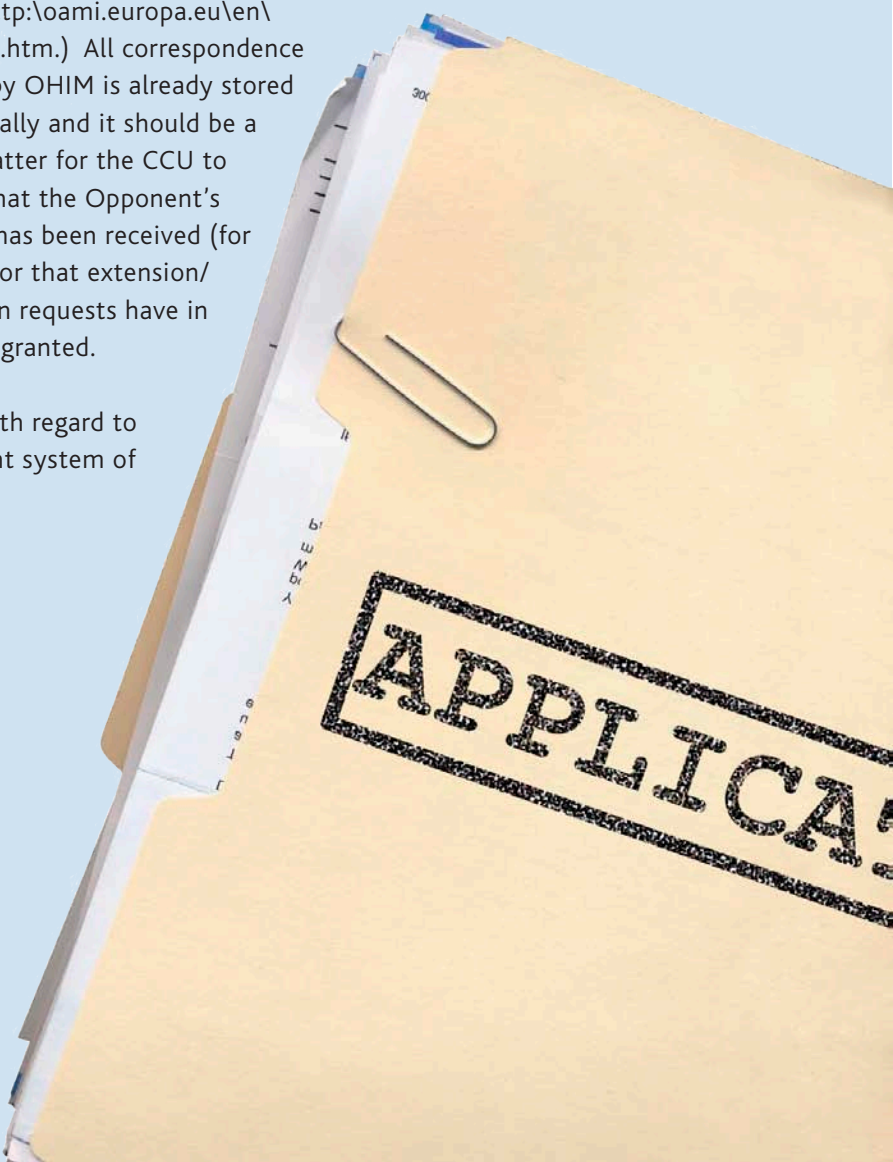
OHIM are also seeking to improve their consistency of decision making and have set up a "Grand

Board of Appeal" for reviewing Decisions at the opposition/appeal stages. They have already set in motion practice update training for examiners, which is expected to ensure greater consistency in decision making at first instance. This may have a "knock on" effect of reducing the number of appeals which are filed.

OHIM are planning to extend their electronic document handling and to allow full electronic access to their files. This may resolve some of the current issues/uncertainties affecting deadlines, especially in opposition proceedings. As an interim measure, and to facilitate communications with OHIM, a customer care unit has been set up (see <http://oami.europa.eu/en/office/ccu.htm>.) All correspondence received by OHIM is already stored electronically and it should be a simple matter for the CCU to confirm that the Opponent's evidence has been received (for example) or that extension/suspension requests have in fact been granted.

Finally, with regard to the current system of

official search reports, these will cease to be issued automatically by EU Member States (not all of whom already do so in any case) in Spring 2008. After that, applicants will have to indicate on the application form that they require OHIM to issue such a report and pay an agreed set of fees per Member State. It is not clear how many of the Member States currently providing such reports will continue to do so under the revised system.



WHEN "SMELL-ALIKES" BECOME INFRINGEMENTS

Makers of prestige perfume products invest substantial amounts in creating and promoting new fragrances. Unsurprisingly, they react unfavourably when imitations or replica fragrances hit the marketplace; they often have a negative impact on the allure and attractiveness of the luxury brand image. Securing enforceable intellectual property rights for such products has not always been straight forward; in theory, registered trade mark protection for smells is still a possibility, but in the field of perfumery, such registrations are not possible. In such cases, the smell of a perfume is seen as an essential characteristic of the product itself rather than an added "badge of origin".

Luxury perfume manufacturers have to fall back on registration of the product's brand name and visual appearance, protecting its packaging, container shape or other eye-catching design characteristics. Generally, trade mark registration of 3D shape marks for containers is difficult to secure. In the field of perfumes, the practice at the UK Trade Mark Registry and at OHIM is more relaxed; they often accept perfume bottles with distinctive and eye catching shapes, which are promoted as badges of origin by the perfume houses.



Manufacturers of "smell-alikes" have thus tended to steer clear of offering "Chinese copies" of the perfume

bottle when it comes to selling replica fragrances, relying instead on pack designs and presentations which suggest or allude to the market leader.



In the game of "cat and mouse" between the luxury perfume brand and replica fragrance, manufacturers of the latter may nevertheless come to grief.

In a recent decision in the UK High Court, L'Oreal S.A. and their affiliate, Lancôme persuaded the Judge, Mr Justice Lewison that the principal defendant in the case, Bellure NV, had sailed too close to the wind. As the Judge himself noted, the result was a capsized ship. The decision is notable for the Judge's views on the potential detriment to the prestige brands from "smell-alikes" – and his evident concern to protect prestige brands.

The case concerned various "smell-alike" imitations designed to evoke the well known TRÉSOR, MIRACLE, ANAÏS ANAÏS, and NOA brands (the latter two being part of the Cacharel range).

In all cases it was clear that the overall design of the defendant's product was created to "allude to" the premium branded product. Nevertheless, after careful

analysis, the judge concluded that overall visual differences in the defendant's pack/bottle designs did not give rise to a likelihood of confusion amongst customers or prospective customers, thus avoiding "classic" trade mark infringement under Section 10(2) of the UK Trade Marks Act.

He did find that two of the defendant's bottle designs were sufficiently close to the originals to establish a link or association in the mind of the average consumer so as to satisfy the extended test for infringement in Section 10(3) of the UK Trade Marks Act. In fact both of the offending pack designs had been discontinued by the defendant by the time the trial occurred, so to an extent the complainant's victory on this point was academic.

The Judge dismissed the defendant's argument that there was no unfair advantage or detriment to the character or reputation of the registered trade mark as a consequence of the defendant's use of packaging/bottle shapes which gave



rise to an association with the luxury perfume in the mind of the average consumer. Despite the fact that no one purchasing the replica fragrance would think they were getting the original, the judge ruled that these deliberate attempts to "sail close to the wind" took unfair advantage of the character or reputation of the complainant's registered marks (which he had already concluded enjoyed a reputation).

He pointed out that the replica fragrances cost more than others in the defendant's perfume range - which were not designed to suggest an association with a well known premium brand - and that they in fact benefited from the advertising and promotion of the complainant's luxury fragrances; this constituted an unfair advantage.

Moreover such activities could be also detrimental to the trade mark owner's brand image because cheap smell-alikes were often sold in locations where the original would not normally be displayed and in situations where the complainants had no



control over the sales. While the defendants in this case might not have been directly responsible for this manner of sale, it was a likely consequence of their activities, in the Judge's view.

The judge dismissed the complainant's case based on "passing off" following his findings that the average consumer was not going to directly confuse the defendants products with the original luxury perfume; as usual the complainant's survey evidence on confusion was set aside by the Judge who raised a number of criticisms as to the manner of compilation and conduct of the interviews.

An important additional factor in this case was the use in printed matter by the defendants of the "original" registered trade mark side by side with the "smell-alike" brand name. Such use occurred in order forms, brochures and other comparison lists supplied by the Defendant's representatives to prospective wholesale/retail customers, many of whom went on to offer the goods in discount stores or on market stalls. In some cases the market stall holders had displayed the "smell-alikes" side by side with bottles of the genuine fine fragrances, purchased for reference purposes.

The defendant was unable to persuade the Judge that their use of the complainant's registered trade marks in this printed matter was not a straight forward infringement of Section 10(1) of the UK Trade Marks Act. They sought to argue that the use was saved by the defences in Section 11(2) and 10(6) of the 1994 Act. The latter permits some use of third party trade marks in comparative advertising, subject to certain conditions. The judge had no hesitation in finding that

the defendants activities were not within that proviso (designed to protect "honest practices") given his previous conclusions that there was infringement and detriment under Section 10(3) in two of the cases complained of.



Equally the Defendant's argument that they were only using an indication as to the characteristics of the goods or services when using the name of one perfume to describe the smell of another was also rejected; this defence is contained in Section 11(2) of the 1994 Act, but also requires that any such use must be "in accordance with honest practices in industrial commercial matters", according to Lewison J.

Comment

The sale of cheaper "look-alike" products is not restricted to the perfumery marketplace; brand leaders for many fast moving consumer goods suffer from "own brand" competition in supermarket chains, which may involve the market leader being positioned on the sales gondola right next door to the supermarket "copy". It remains to be seen whether this decision can be relied on as a precedent outside the somewhat *recherché* field of luxury perfumes.

The Judge made a point in his lengthy decision of explaining just how much investment went into creating and promoting a new fine fragrance and the significant price differential with the replica "smell-alike" product. These market conditions do not apply to many fast moving consumer goods such as standard foodstuffs or household items. Moreover the supermarket own brand may in some cases differ very little in overall quality or characteristics (and is sometimes actually made by the brand leader).

Nevertheless, traders who seek to benefit from established goodwill and reputation in a leading product, whatever the market sector, must ensure, to adopt the metaphor used by Mr Justice Lewison that their sails are properly trimmed if they plan to compete without risking disqualification.



Smell-Alikes

Pg 4:
Odeon (Opium, Yves Saint Laurent)
Exit (Escape, Calvin Klein)

Pg 5:
Yazaki (Issey Miyake)

Pg 6:
Precious Secret (Burberry Weekend)

RECORDING ASSIGNMENTS – DON'T DELAY!

A reminder to clients on the importance of recording assignments in a timely manner:

Under S.25 of the UK Trade Marks Act, until a new proprietor has applied to record themselves as owner of the trade mark, rights will be ineffective against any person acquiring a conflicting interest in or under the registered trade mark.

In addition, if the trade mark is being infringed, the new owner will not be entitled to damages or an account of profits in respect of any infringement which occurred after the date of the assignment but before the particulars of the transaction have been recorded.

To ensure the new owner enjoys the full benefit of the trade mark which they have acquired, assignments should be recorded within six months from the date of the transfer (or as soon as practical thereafter).

Early recordal can also avoid a whole host of other problems particularly with regard to recordal of overseas assignments. Considerable delay can lead to problems where the assignor is no longer in existence to sign any additional documentation required or a Notary Public's commission has expired by the time an application for recordal is made. To avoid such problems, contact your usual D Young & Co advisors as soon as possible to take steps to record your interest.

ACCESSION OF ROMANIA AND BULGARIA TO THE EUROPEAN UNION

As of 1 January 2007 – Romania and Bulgaria will become members of the European Union. Existing CTM applications and registrations will (as in previous cases where the number of Member States has increased) automatically extend to these new members.

Trade mark owners who know of potentially conflicting marks in either country (registered at National level) which could be invoked to challenge a later CTM filing should therefore ensure that their CTM application is made prior to 1 January 2007 to avoid conflict. By virtue of the transitional provisions, any CTM filing made before 1 January 2007 cannot be challenged by owners of prior National rights in Bulgaria or Romania, or objected to on distinctiveness grounds which apply only in those countries.

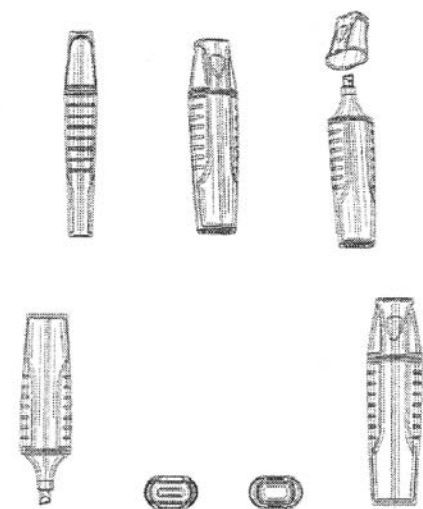
REGISTERED COMMUNITY DESIGNS V PRIOR TRADE MARKS

– BASIS FOR INVALIDATION

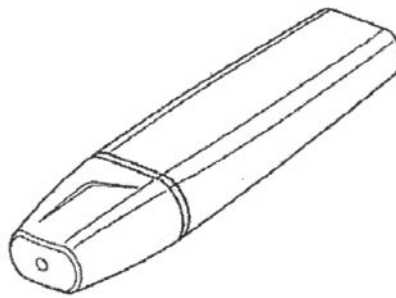
The relationship between Registered Community Designs and trade mark rights (whether national or at Community level) needs careful consideration. In previous issues of this Newsletter we have highlighted the current reluctance at OHIM to register 3D shape marks. Instead, the clear policy is to encourage businesses to register such shapes as Registered Community Designs.

This may be a useful first step in a long term strategy designed to monopolise the 3D shape and permit the owner to build up acquired distinctiveness through use, so as to support a later trade mark filing. In some cases, however, the Registered Community Design may be subject to early challenge because it conflicts with other distinctive signs protected by third parties, such as national trade marks in an EU country.

The decision in the invalidation action against Registered Community Design 352315-000007 involving the 3D shape shown below for "instruments for writing" is a neat illustration of this point.



In this case the holder of the Registered Community design, Ningbo Beifa Group Co. Limited was challenged by Schwan-Stabilo, owners of a National trade mark registration in Germany for the 3D shape mark shown below in class 16 (which covers writing instruments).



The Invalidity challenge was based on Article 25 of the Community Design Regulation which states that "a Community design is to be declared invalid if a distinctive sign is used in a subsequent design, and the Community law or the law of the Member States governing that sign confers on the right holder of the sign the right to prohibit such use".

The Invalidity division at OHIM found that the German trade mark registration owned by Schwan-Stabilo was by definition "distinctive" since it was required to be so under the German Trade Mark Act in order to be accepted for registration.

They noted that a trade mark registration in Germany entitled the owner to prevent third parties from using any similar or identical goods. In this case there was no question as to the identity of goods, so the main issue was the similarity of marks/signs.

The Registered Community Design

("RCD") holder argued that the RCD featured distinctive finger shaped indents and frets which were not visible in the German trade mark registration.

This argument was rejected, the Invalidity division finding that the RCD made use of all the characteristic features of the 3D shape of the German trade mark and was, as a consequence, similar to the trade mark. They found that the characteristic features of the sign registered in Germany were clearly discernable in the later RCD for the writing instrument.

From this finding it was easy for them to conclude that there would be a likelihood of confusion on the part of the public should the design covered by the RCD be used by the rights holder. Thus the applicant for invalidity had the right to prohibit use of this sign arising from its prior trade mark registration.

Most readers of this Newsletter will be familiar with the Schwan Stabilo range of highlighter pens which the German trade mark registration for the 3D shape mark was intended to protect. Equally there were clear visual similarities between the RCD and the earlier German mark. Accordingly this Decision is not surprising, but brings into sharp focus the need to ensure that designs and trade marks are registered/protected in the correct order.

STOP PRESS! SPECIAL FX CASE ON APPEAL



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Readers of this Newsletter will recall our report of the High Court Decision in the SPECIAL EFFECTS/SPECIAL FX dispute (July 2006). The case has been appealed by the parties.

Amid increasing concerns amongst practitioners as to the consequences of that case, the latest news is that INTA (the International Trade Mark Association) has filed an "amicus" brief with the UK Court of Appeal and the case is due to be heard by that Court in November 2006. No specialist IP Judge will be on the bench however.

Major concerns if the High Court Decision is upheld, relate to the consequences for future conduct of Trade Mark Registry proceedings. Participants will see these becoming more complex and expensive if parties have to choose on a "once for all" basis between attacking marks in the Registry or the Court.

There is also scope for "forum shopping" where the rights in issue are Community trade marks; many other EU countries do not recognise the common law doctrine of estoppel. It may be safer to challenge the CTM elsewhere.

We will report further on the outcome of the UK Appeal proceedings in a future edition of this Newsletter.



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