

PASSING THE DISTINCTIVENESS TEST

It is trite law that in order to qualify for trade mark registration a "sign" must have a capacity to distinguish the goods or services to which it is applied.

While it is obvious that words and graphic devices can perform this function (by virtue of the fact that most traders customarily have used these as trade marks) this requirement causes considerable difficulty for traders who wish to establish other signs as trade marks e.g. shapes, colours, smells, sounds and to obtain registration for these features.

A recent decision of the UK High Court involving an application by Dyson Ltd to register the transparent bin which collects dust and dirt inside their vacuum cleaners provides a "clear" illustration of these difficulties.

Dyson applied to register a mark described as consisting of "a transparent bin or collection chamber forming part of the external service of a vacuum cleaner" of the type shown in the representation below. The mark was filed in respect of goods in Class 9 including vacuum cleaners and other cleaning apparatus.



The Registry objected on distinctiveness grounds (they alleged that the mark was descriptive of a characteristic of the products namely that the transparent surface of the bin indicated that the goods were a bagless cleaner). They also objected that the sign did not function as a trade mark i.e. did not indicate origin to consumers.

There was a further initial objection invoking the special provisions of the UK Trade Marks Act concerning shape marks (excluding shapes necessary to obtain a technical result) but this was dropped by the Registry following submissions at the ex-parte Hearing pointing out that the mark did not claim shape but rather the transparent nature of the product.

However the Hearing Officer upheld the distinctiveness/descriptiveness objections despite evidence from the applicant which purported to show that the mark had acquired distinctiveness through use and that a significant proportion of the relevant consumers associated the transparent bin feature with Dyson vacuum cleaners.

The applicants appealed the rejection of their mark to the High Court and in a long and careful judgement Mr. Justice Patten reviewed recent statements from the ECJ on assessment of distinctiveness and capacity to distinguish by reference to the considerations arising from public policy and the need to "keep free" certain categories of sign for use by other traders. This factor had to be weighed against the understandable desire on the part of those who come up with novel products or names to secure monopoly protection through trade mark registration.

In these circumstances, he concluded that to qualify for trade mark registration a sign must make it apparent to both traders and consumers that as a whole it

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is not suitable in the ordinary conduct of trade to designate characteristics of the product in question i.e. be descriptive.

In the case of Dyson's application he concluded that the clear bin indicated to consumers that the cleaner was designed to operate without a bag, and that this feature could serve to designate the kind of goods in question i.e. a bagless cleaner. He then had to assess whether this message meant that the mark was "exclusively" descriptive and whether the fact that this particular feature was novel at the time when the product was introduced assisted its capacity to distinguish the applicant's goods.

The judge explained that in the case where a sign comprises part of the goods or the goods themselves rather than an invented word, phrase or design it was always going to be difficult to avoid a charge of mere descriptiveness. He pointed out that recognition of such features as novel or eye-catching did not necessarily confer trade mark characteristics on them.

In reaching this conclusion he appears to have imported the more general test of distinctiveness set out in Section 3(1)(b) of the UK Trade Marks Act into his evaluation of how Section 3(1)(c) operates.

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He also went on to state that even if the mark had been “capable of distinguishing” the applicant’s goods he might have refused it on policy grounds, namely that other manufacturers should be free to use transparent materials as part of their vacuum cleaners without the risk of infringing Dyson’s monopoly in this field.

Because the applicant had also claimed acquired distinctiveness, i.e. that the mark had through use become established as a trade mark, the judge went on to consider whether the Hearing Officer had correctly rejected the applicant’s evidence on this point (which consisted *inter alia* of market surveys which appeared to establish that 50% of the consumers interviewed were aware of a domestic vacuum cleaner with a clear or transparent dust collection bin and associated it with Dyson).

Despite this encouraging survey result the judge concluded that mere association of the product feature with the manufacturer did not establish that the feature recognised had trade mark significance. He was all the more reluctant to reach this conclusion in a situation where the applicant had a “de facto” monopoly in the market place at the time when the assessment was made.

The judge criticised Dyson for failing to promote the clear bin as a trade mark and implied that failure to do so was another factor in refusing to grant the monopoly.

Nevertheless, the Judge was mindful of the statements of the ECJ in *Philips v. Remington* (the case which involved an application to protect the shape of a three-headed shaver). This concluded that a trader in a monopoly position could register the shape of his goods as a trade mark where a substantial proportion of the relevant class of persons associated that shape with him and no other undertaking or believed that goods of that shape come from that trader (without specifying that the consumer must definitely recognise the shape as a trade mark). Accordingly, he referred the issue to the European Court for further clarification.

Comment

On a liberal interpretation of “capacity to distinguish” it is hard to see why trade mark protection is not available to applicants who demonstrate that consumers associate products having unusual features with their

business, particular where, as in the Dyson case, consumers went on to say that they were aware of other manufacturers selling competing products with similar transparent bins as an integral part. Surely this result must show that the Dyson goods are capable of being distinguished from the competition?

Imposing a stricter test, namely that consumers must definitely recognise the product feature as a trade mark puts proprietors in a virtually impossible position. No-one wants to devote their marketing budget to educating the public in this way (e.g. “look for the Dyson clear bin – it’s our trade mark!”) Moreover, a literal reading of the dictionary meaning for “distinctive” suggests that if something is “easily recognisable” or “characteristic” then it qualifies under this heading.

This case is illustrative of the deep reluctance on the part of UK courts and indeed the ECJ to accept that it is appropriate to grant monopoly rights in features of goods such as their shape or decoration through the trade mark registration system. Fundamentally most tribunals think that these signs are more apt for protection through the registered design system, which of course grants only a limited monopoly to traders. By contrast a trade mark registration can last in perpetuity (although in practical terms, most product features change on a regular basis, to meet new consumer expectations).

The tension will continue while trade mark legislation still (in theory) permits registration of shapes or product features as marks. It is only to be expected that traders will seek to exploit these possibilities; for the moment however it seems that protection via the registered design route is likely to be easier, even if the enforceability of such registrations has yet to be tested in the UK courts.

HOT PROPERTY

Eddie Irvine was not impressed when the High Court only awarded him £2000 damages after a successful false endorsement claim against Talksport. The original case arose after Talksport doctored a photograph of Eddie Irvine to show him holding a small radio with Talksport clearly visible on it. In 1999 Irvine had been leading the Formula One Drivers Championship and had signed a number of lucrative deals. If he was modelling, he simply would not have woken up, let alone got out of bed for two thousand pounds. The very idea was outrageous

Irvine’s decision to appeal was shown to be the right course of action after the recent Court of Appeal decision. The evidence showed that Irvine had not signed any endorsement deal during 1999 for less than £25000 and the Appeal Judges attached a far greater significance to this than Justice Laddie had been prepared to do in the High Court. Irvine was therefore able to argue that he had a minimum fee for endorsements and that Talksport would not have tempted him with a paltry £2000. The Appeal Judges therefore decided that Talksport would have to have paid at least £25000 for the services of Mr Irvine and upped the level of damages to this sum.

The implications are positive for claimants in such cases. For example, we have just successfully concluded negotiations on behalf of a client with a claim for trade mark infringement. Our client’s position was enhanced by the fact that their name or brand is a highly exclusive one. This assisted in securing a significant sum from the infringer, possibly in excess of the damages which would have been awarded by a court. The Irvine case confirms the view that the courts should not simply look to compensation for the defendant’s costs when awarding damages. The stronger your image or brand, the better your position.

REGISTERED TRADE MARKS V. PASSING OFF - Conflicting Rights?

Inter Lotto (UK) Limited v. Camelot Group plc

This case involved a dispute between Inter Lotto (UK) Limited ("Lotto") and Camelot Group plc ("Camelot") regarding use of the trade marks HOTPICK / HOTPICKS.

Lotto had used the trade mark HOTPICK since August 2001 in connection with the promotion and organisation of pub lotteries and claimed to have built up reputation and goodwill in that mark. Camelot's business partner, The National Lottery Commission, applied to register the trade mark HOTPICKS in October 2001, therefore post-dating Lotto's first use of the mark HOTPICK. Camelot did not commence use of HOTPICKS themselves until July 2002, when a new lottery game was launched under this name.

In January 2003, Lotto brought proceedings against Camelot for passing off. Lotto relied on the principle that liability in passing off is determined at the date when the defendant went to market under the mark or name in question, (i.e. July 2002, when HOTPICKS was first launched by Camelot). By this time, Lotto's own HOTPICK game was well established.

Camelot, however, considered that the relevant date for assessing liability was 17 October 2001, since this was the date of the application for registration of HOTPICKS. Camelot argued that, once their mark was registered, continued use of HOTPICK by Lotto was arguably an infringement and could not, in their view, be relied on to support Lotto's passing off claim. Obviously, in October 2001, Lotto were in a weaker position to assert passing off rights in their mark than if their rights were assessed as of July 2002.

However, the UK High Court held that Lotto *could* rely on the goodwill and reputation built up in HOTPICK, even after Camelot had registered HOTPICKS, since the defendant's ownership of the registration did not, of itself, render Lotto's continued use unlawful for the purposes of the law of passing off.

Subsequently, the Court of Appeal also concluded that a prior claim in passing

off was not affected by the rights conferred by registered trade mark protection under the 1994 Act, since Section 2(2) of the Act provided expressly that the Act did not affect the law of passing off. Consequently, Camelot's argument that the scheme of the Act and the nature of the exclusive right conferred by registration under it, were inconsistent with any user rights acquired by Lotto since their registration date, could not stand. As a result, Lotto succeeded in their claim of passing off, preventing Camelot's continued use of HOTPICKS.

Since Camelot do not appear to have formally sued Lotto for trade mark infringement in reliance on their subsequent registration of HOTPICKS, which would presumably have prompted a counter-challenge by way of invalidity proceedings on Lotto's part, the Court did not have to decide the tricky question as to whether such a challenge could succeed. The relevant date for the invalidity action would be that of the trade mark filing (in October 2001) when it seems that Lotto's user rights were not as well established. However, even if the registration had survived Lotto's challenge, they could probably have relied on the defence to infringement in Section 11 of the Trade Marks Act, which allows proprietors of "earlier rights" to continue using their unregistered trade mark, providing that such use is "protected by virtue of any rule of law (in particular, the law of passing off)". Since the Court found, in this case, that Lotto did enjoy passing off rights, it would have been difficult for them to deny Lotto a defence to Camelot's infringement claim.

According to the Registry database, Camelot's registration of HOTPICKS is still on record; Lotto have a pending application which post-dates it. A further interesting question is whether this will be accepted on the basis of

"honest concurrent use", despite the fact that it is essentially identical to the earlier mark.

The net outcome at this point seems to be that Camelot's registered rights are only enforceable against third parties (not Lotto), but that they cannot use their own registered trade mark by virtue of the High Court judgment. Absent an agreement between the warring parties, this registration will eventually become vulnerable to challenge for non-use by its proprietor, in the unusual situation where the use is proscribed by the Court.



Change in UK Registry Practice on Examination

The UK Registry has announced that as of **1 September 2003**, the time allowed for trade mark applicants to respond to examination reports raising objections only relating to the distinctiveness or descriptive nature of marks or other registerability criteria will be reduced to three months. If a substantive objection is made citing potentially conflicting marks, the applicant will still be given a period of 6 months to respond. Extensions of time may still be available in both these situations, depending upon on the merits of the request. The changes are intended to bring the UK examination procedure further into line with the Community Trade Marks Office at OHIM which allows only two months for responses to objections on absolute grounds.

PARALLEL IMPORTS

Dealing With Notifications

Parallel importing is a fact of life in the European pharmaceutical industry.

In order to gain "effective access" to the UK market, in some cases the parallel importer will over-sticker or even re-box the product. They are obliged to notify the trade mark owners of their plans, to comply with the guidelines set out in previous court cases. (See in particular *GlaxoSmithKline/Boehringer Ingelheim and others v. Dowelhurst and Swingward* - high court decision dated 6 February 2003).

In practical terms, the notifications can take some time to reach the relevant person in the organisation who has the task of assessing the suitability of the proposed over-stickering/re-boxing. This is particularly so where the trade mark is registered in the name of a parent company overseas or where the registered office address for the trade mark in the UK does not coincide with the site of the principal business activity.

Given that the notifications normally require a response in less than 15 days (the suggested deadline set by the courts) delays in reaching the person responsible for reviewing such notifications within any company or business can be severely prejudicial.

The best practical solution is to set up a central review function, staffed by one or two individuals who will assess the notifications by reference to clear guidelines derived from the court decisions. All prospective recipients of the notifications, from mail room staff to directors, should be aware of the need to forward notifications to this department.

For cases of over-stickering the reviewers need to consider whether the sticker contains the necessary information about the product as well as the details of the parallel importer. They should also assess the overall impact on the original pack i.e. does it obscure the proprietor's trade mark completely, does it include additional extraneous matter such as the parallel importer's mark which "swamps" the original? Is the overall presentation such as to create concern in the mind of the average consumer? Some over-stickering is clumsily done and may cause the consumer to think the product has been tampered with.

Equally in the case of proposed re-boxing, the new design should be considered as to its necessity (the presumption is that re-boxing is not normally required to gain effective market access) and the suggested presentation looked at in terms of its impact on the proprietor's trade mark. Again if the parallel importer adds his own livery to the box this may found a justified objection from the original trade mark owner on the basis that he has not consented to his mark being used in such a context.

It should also be remembered that the *Dowelhurst* case is still the subject of a pending appeal to the UK Court of Appeal which may refine still further the limits within which parallel importers can operate. While it is clear that parallel importing is here to stay, this decision should not be interpreted as a licence to use a proprietor's marks in a way which harms their essential message or characteristics. Trade mark owners must therefore be alert to control third party use of their marks in these situations and to act quickly where a challenge is required.

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It's a Draw!

Arsenal v Reed : the final instalment

Those who have been following the fluctuating fortunes of the players involved in the case of *Arsenal Football Plc v Reed Plc* will be disappointed to hear that the final round has been called off. Following the Court of Appeal's decision in favour of Arsenal in May, it appears that the parties are now settling - so no final determination from the House of Lords.

Of particular interest would have been the view of the House of Lords as to whether trade mark infringement requires that the unauthorised use is "trade mark use" (indicating the origin of the goods). It may have seemed that the Court of Appeal had settled the question through their analysis of the ECJ's earlier decision in *Arsenal v Reed*. The Court of Appeal held that trade mark infringement requires only that the use complained of is liable to jeopardise the guarantee of origin function of a trade mark. However, the following day the House of Lords issued their judgement in the criminal case of *Rv Johnstone*, without apparent reference to the Court of Appeal's decision. They considered only the ECJ's decision in *Arsenal* which they construed as meaning that "non-trade mark use" does not fall within the infringement sections. Although this determination was made in the context of a criminal action, the House of Lords appear to take the view that civil trade mark infringement only applies where a sign is used as an indication of trade origin, as perceived by the average consumer.

These different interpretations of the ECJ's judgement in *Arsenal* result in uncertainty as to the boundaries of trade mark infringement, which seems unlikely to be resolved in the near future.

FOR FURTHER INFORMATION PLEASE CONTACT ONE OF OUR QUALIFIED TRADE MARK ATTORNEYS:



Penelope Nicholls, Partner



Jeremy Pennant, Partner



Gillian Deas, Associate



Jill Matchett, Associate



Katie Hunt, Associate



Jane Harlow, Associate



Angela Thornton-Jackson, Associate



Kara Bearfield, Associate

Website: www.dyoung.com

Email: mail@dyoung.co.uk

London office: 21 New Fetter Lane, London EC4A 1DA, UK Tel: +44 (0) 20 7353 4343 Fax: +44 (0) 20 7353 7777

Southampton office: Briton House, Briton Street, Southampton, SO14 3EB, UK Tel: +44 (0) 23 8071 9500 Fax: +44 (0) 23 8071 9800