

## TRADE MARK NEWSLETTER

## RESIDUAL GOODWILL - IS IT A MYTH?



in the UK in 2003.

The claimant challenged the use of MYTHBUSTERS by the Defendant companies in passing off proceedings, asserting that their use of the name would prevent him from exploiting the existing goodwill. He had apparently devised his own programme concept based on the MYTHBUSTER books although none of the television production companies he had approached had taken up the idea.

The extent to which a proprietor of UK trade mark rights can claim residual goodwill and reputation in a name which he is no longer using has been the subject of a long line of case law in the United Kingdom. A recent decision of the UK High Court involving the trade mark "MYTHBUSTERS" (case no.: HC06C00084) confirms that "common law" protection for residual goodwill is still available to trade mark owners, although, generally speaking, securing a registered trade mark is a better way of proving and asserting rights in a name.

The claimant in this action was Andrew Knight, a British citizen who now lives in Australia. During 1991 and 1996, Mr Knight published three books which incorporated the word MYTHBUSTERS in their title. Following publication, Mr Knight promoted his books in various countries including the UK, although no significant promotional activity took place after 1996.

The defendant companies were engaged in, amongst other activities, production and distribution of television programmes and broadcasting. In 2002 one of the co-defendants made a pilot series called MYTHBUSTERS. Following its success a second, third and fourth series followed. The television shows were first broadcast

To be successful in any action for passing off, the claimant needs to establish the 'classic trinity' of Goodwill, Misrepresentation and Damage. In deciding the issue of goodwill, the parties agreed that if Mr Knight had not established a reputation in MYTHBUSTERS by 1996, nothing he had done after that date would have established this. Essentially, Mr Knight was asked to demonstrate that by 1996 he had established a sufficient reputation to support his claim relying on passing off and that this reputation survived until November 2003 to an extent that was more than trivial.

Mr Knight's evidence of his reputation pre-1996 was limited but not insignificant. Sales of books incorporating MYTHBUSTERS in their title in the UK were approximated as follows: first book 5,000; second book 10,000; and for the third book, sales levels were around 2,100.

In deciding whether the claim to residual goodwill was sufficient, Judge Richards stated; "I conclude that Mr Knight has shown that by the end of 1993 he had established a reputation in connection with the use of the word MYTHBUSTERS to describe the investigation of myths for a children's audience of primary school age, on a very minor scale but sufficient to attract protection under the law of passing off....

I consider that there remained in 1996 a reputation which, although very small, was sufficient for passing off purposes".

In deciding whether any reputation in MYTHBUSTERS still existed in November 2003, consideration was given to any further promotional activities, of which there were none. The Judge found that no reputation which was more than trivial existed in the UK in November 2003, meaning that Mr Knight's action was unsuccessful.

In this case it is perhaps not surprising that the claim to residual goodwill failed since there was a gap of more than 7 years between the last firm evidence of the claimant's own use and the time when the action was brought. It should be noted by applicants for subsequent trade marks however that owners of residual goodwill/reputation may succeed in challenging a new trade mark filing at the opposition stage or in subsequent invalidation proceedings. Commercial investigations made as part of the initial clearance procedure may not readily pick up evidence of such residual reputation, although Internet enquiries are often helpful in identifying relevant past use for these purposes.

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CO TRADE MARK GROUP

SUBSCRIPTIONS

# A TALE OF THREE SMITHS

Following the NICHOLS Decision of the ECJ (Case C-404/02) it is clearly possible to register surnames as trade marks in Europe in the same way as other personal names, even if the mark features a "common" surname such as SMITH.

The strength of the monopoly rights which such registrations confer is another question. Two recent Decisions of OHIM's Second Board of Appeal (both dated 8 May 2007) suggest that the rights may be limited.

The first case (R-942/2006 – 2) concerned an opposition by the owners of a UK registration for WILLI SMITH for "clothing, footwear and headgear" in class 25 to the mark WILLERBY SMITH, filed for the International class headings in classes 18 and 25.

The Opposition Division dismissed the opposition. In its reasoning, it focused on the comparison between the name WILLERBY in the Applicant's mark and the name WILLI in the Opponent's earlier rights, since it considered the identical element SMITH in both marks to be weak, as a result of its surname significance.

Their conclusion was that visually and orally the name WILLERBY was unusual, longer than WILLI (since it contained more letters and an extra syllable) and had nothing in common conceptually; thus the marks were not confusingly similar overall, judged from the perspective of the average English consumer.

The Opponent appealed, arguing that the average consumer would be likely to see WILLERBY SMITH as a variant of WILLI SMITH (variant marks are commonly used for different ranges of clothing from the same manufacturer). The Appellant also contested the finding that WILLI would be recognised in the English

language as a diminutive for WILLIAM and therefore clearly distinguishable from WILLERBY.

In dismissing the Appeal, OHIM's Second Board focused again on the common nature of SMITH as an English surname and stated that "consumers would not believe that there is an economic link between all the proprietors of marks containing the surname SMITH".

The correct approach to the comparison of marks must therefore focus on the forenames WILLERBY and WILLI; finding that there was no evidence that WILLI would be seen as a diminutive for WILLERBY and indeed that there were no convincing reasons why the relevant public would associate WILLI with WILLERBY, the Opposition was again rejected. The Board of Appeal found that WILLERBY and WILLI were visually and phonetically distinct as well as "radically different" conceptually.

While it appears that neither party in the proceedings had filed convincing evidence as to how the average consumer would perceive the terms WILLI/WILLERBY, it is perhaps surprising that the Board of Appeal took such a firm line on absence of confusing similarity. Judged from a visual and phonetic perspective

WILLI and WILLERBY appear quite close and a finding that there was no likelihood of confusion between them seems surprising.

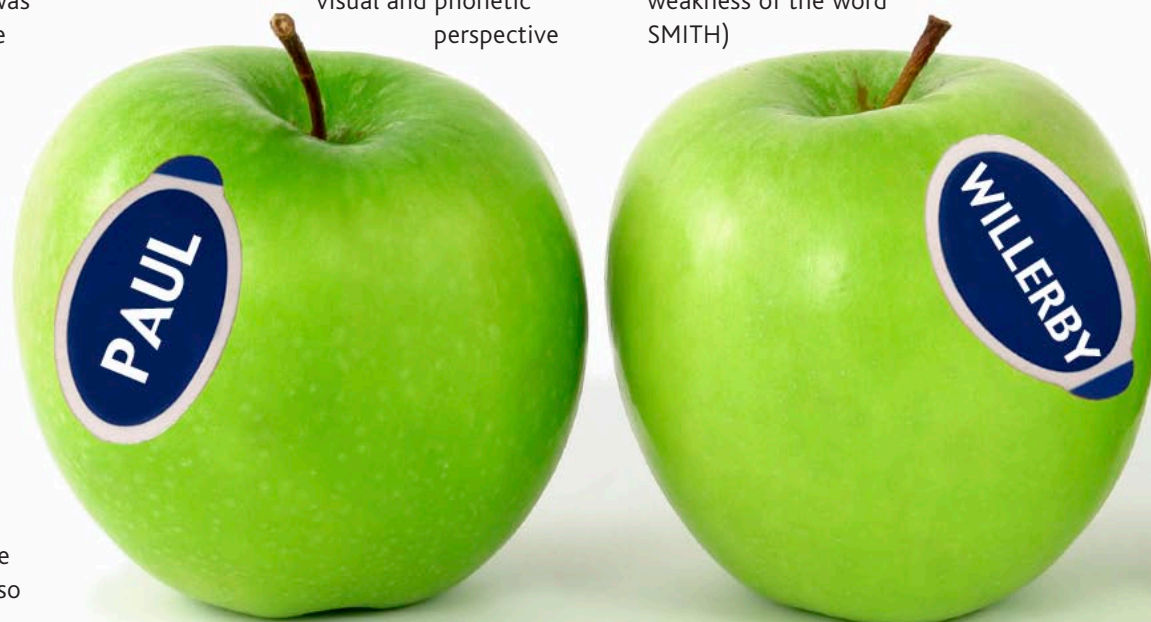
The Applicant for the WILLERBY SMITH mark was also facing a separate challenge by way of opposition from the owners of the Paul Smith clothing business (case R1435/2006-2).

In this case, the Opponent had registrations of SMITH, PAUL R SMITH and a stylised version of the Paul Smith label, all for clothing.

All three marks were registered nationally in the UK. In addition the Opponent had a CTM registration for SMITH by itself, also for clothing.

OHIM's Opposition Division had nevertheless rejected the opposition, holding again that SMITH was a very common English surname and a weak element in all marks. They considered that WILLERBY was the distinctive part of the contested application.

Focusing on a comparison of the earlier Community trade mark SMITH and WILLERBY SMITH the Opposition Division held that there were sufficient differences between the two (taking account of the inherent weakness of the word SMITH)



to dismiss the Opponent's challenge.

This finding was made despite the fact that the Opponent's marks were registered for identical goods to those covered by the Application.

On Appeal, the appellant challenged the finding that SMITH was a very common English surname, or that this was enough to defeat the opposition in the case where the earlier right relied on was a Community mark. In their submission, SMITH was an unusual surname in all non English speaking countries and should be afforded the same protection as other categories of trade mark.

The Second Board of Appeal nevertheless dismissed these arguments. They held that although the risk of confusion must be assessed from the viewpoint of both English speaking and non English speaking consumers within the Community, no likelihood of confusion had been established for either category.

In their view English speaking consumers would definitely perceive the word SMITH as a common English surname, and accordingly the addition of the distinctive further element, WILLERBY, would be sufficient to avoid an association between the marks or any

assumption that the opposing marks shared the same commercial origin.

For non English speaking consumers, the Board focused on the fact that "WILLERBY" was the first part of the mark, and thus more likely to attract and hold the attention of consumers and was the dominant element in the Applicant's trade mark. Accordingly the marks must be regarded as dissimilar when appraised as a whole, despite the identity of the second element of the later mark with the Opponent's earlier right, SMITH.

The Appeal Board also dismissed the subsidiary argument that WILLERBY SMITH would be seen as part of a family of marks owned by the Opponents comprising the SMITH, PAUL R SMITH and Paul Smith (stylised) rights.

While it is perhaps not surprising that WILLERBY SMITH and PAUL R SMITH are unlikely to be considered similar by consumers for clothing (a market where personal names are commonly used as trade marks), it is less easy to see why WILLERBY SMITH and SMITH would not be confused by non English speaking consumers, at least to the extent that consumers may consider there is an association between the mark when used on the same goods.

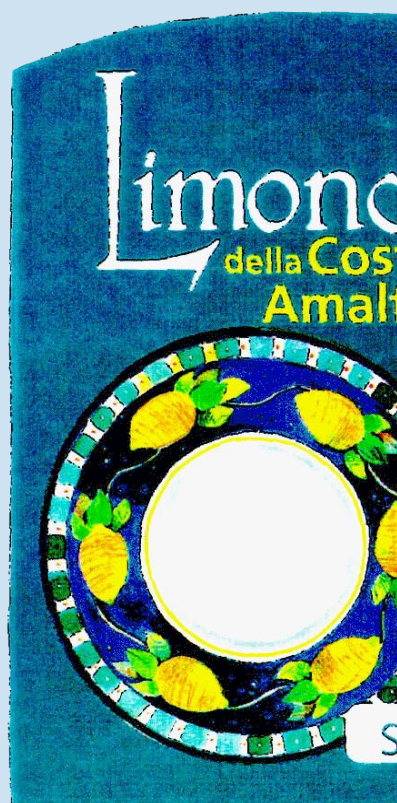
In focusing on the "common surname" aspect of the Opponent's earlier rights, the Board of Appeal has emphasised the potential weakness of registrations for common surnames, at least in the clothing field. It is perhaps ironic that although the ECJ dismissed the argument in the NICHOLS case that common surnames did not merit registration, criticising the UK Registry's previous practice of assuming that they were a priori non distinctive, the same arguments are now being used to deny such registrations the usual level of monopoly protection.

## A BITTER OUTCOME

In a judgment issued on 12 June 2007 the ECJ has clarified the approach to be taken when comparing a composite mark with an earlier word mark and conducting the "global assessment" test on likelihood of confusion.

The case involved an appeal filed by OHIM against a decision of the CFI in the Opposition between Shaker di L. Laudato & C. Sas (the applicant) and Limiñana y Botella SL (the Opponent).

Shaker had filed a CTM application for a bottle label containing the words "Limoncello della Costiera Almafittana", together with a device of a plate decorated with lemons and the word Shaker in a stylised format, as illustrated below, in respect of "lemon liqueurs from the Amalfi coast" in class 33. This application was opposed by Limiñana on the basis of its Spanish registration for the mark





# E FOR LIMONCELLO

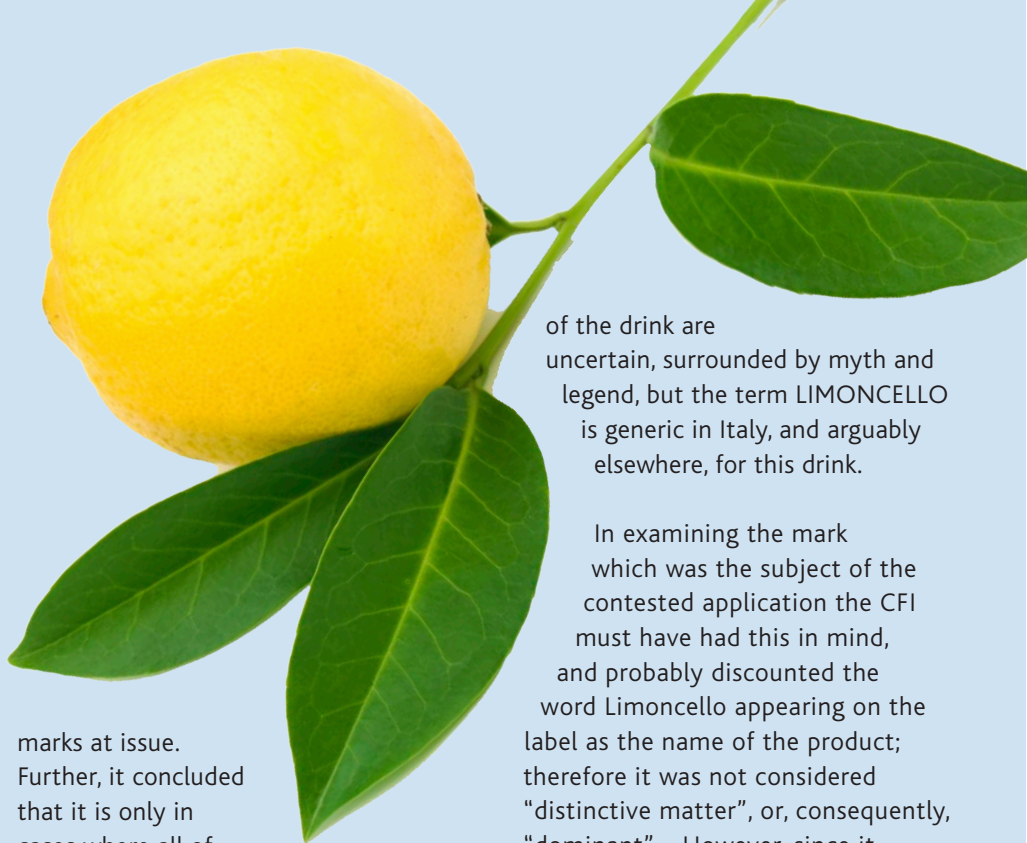
LIMONCHELO for goods in class 33 (alcoholic beverages except beers).

OHIM's Opposition division and Board of Appeal found for the Opponent on the basis of the similarity between the word Limoncello contained in the application and the word LIMONCHELO, the subject of the earlier registration. Shaker appealed these decisions to the CFI.

The CFI found that the visual representation of the round dish in the label was "clearly the dominant component of the mark for which registration was sought" and further concluded that since "the word elements of that mark were not dominant on a visual level [...] there was no need to analyse the phonetic and conceptual characteristics of those elements." On this basis it held that there was no likelihood of confusion between the trade marks, and that there was no need to adjudicate on the distinctiveness of the earlier mark. As a result the CFI upheld the appeal and annulled the disputed decision, holding the appeal by Shaker to be justified. Consequently the opposition was rejected.

OHIM appealed to the ECJ on the basis that the CFI had misinterpreted the scope of Article 8(1)(b) of the CTM Regulation insofar as it limited itself to a visual analysis of the marks at issue, and did not conduct a proper phonetic and conceptual assessment of those marks.

The ECJ stated that the CFI had failed to correctly conduct a global assessment of the likelihood of confusion of the



marks at issue. Further, it concluded that it is only in cases where all of the other components of a mark are negligible that the assessment of similarity can be carried out solely on the basis of the dominant element. The decision of the CFI has thus been set aside and the case has been referred back to OHIM for re-assessment.

Whilst the rationale and principles set out in the ECJ decision must be correct, it is unfortunate that the eventual outcome will probably be a refusal of the application in question, despite the descriptive nature of the Opponent's mark.

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This case is another example (cf. MATRAZEN) of the problems caused by the Spanish Office's practice of allowing registration of foreign generic terms (or their phonetic equivalents), as trade marks in Spain.

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"Limoncello" (pronounced limonchelo) is the name for a lemon liqueur typical of Southern Italy. The origins

of the drink are uncertain, surrounded by myth and legend, but the term LIMONCELLO is generic in Italy, and arguably elsewhere, for this drink.

In examining the mark which was the subject of the contested application the CFI must have had this in mind, and probably discounted the word Limoncello appearing on the label as the name of the product; therefore it was not considered "distinctive matter", or, consequently, "dominant". However, since it did not state this (nor consider or analyse the distinctiveness of the earlier Spanish registration), it did not justify having allocated the Spanish registrant's earlier right a very narrow scope of protection. Indeed, it was not in a position to take this view of the Spanish mark since a national trade mark registration is prima facie evidence of valid rights – which would have to be challenged separately if appropriate.

It is interesting to consider whether the outcome would have been different if the specification of goods of the contested CTM application had read only "limoncello".

Alternatively, since Spanish language references to the term "limonchelo" on the internet suggest that it is also a generic term for a lemon liqueur in Spain, the "right" outcome for Shaker could be achieved if the Spanish registration in question was successfully revoked or invalidated.

Time for a class action?



## O2 BUBBLE BURSTS IN ICON REGISTRATION DISMISSAL

Registering device marks which are potentially descriptive of "characteristics" of the goods or services claimed in a trade mark application may be less easy for trade mark owners following the Appointed Person's decision in case O-127-07, which involved applications by O2 Holdings to register various computer icons. The case highlights the difficulty of establishing where the boundaries lie in relation to the term "characteristics" in Section 3(1)(c) of the UK Trade Marks Act and the potential overlap with the test for "capacity to distinguish" in Section 3(1)(b).

The O2 icons were applied for in April 2004 in seven separate applications. Representations of the marks, consisting of the "i" symbol, Human Figure Device, Football Device, Envelope Device, Mobile Telephone Device, Games Console Device and Speech Bubbles Device (all for use on a computer or mobile telephone screen) are shown, in the inset panel. They each covered a wide range of goods and services including class 9, 16, 38 and 41.

On initial examination, the marks were rejected as having descriptive characteristics for the goods and services claimed. As a consequence, the Hearing Officer found that the average consumer would not consider any of the icons to have trade mark characteristics or a capacity to distinguish the Applicant's goods and services. O2 then appealed each rejection. The case was heard on Appeal by Ruth Annand, sitting as an Appointed Person.

O2 argued that the marks applied for were schematic and stylistic colour devices and that although the marks could allude to the goods and services specified, they were not directly descriptive of them. Another of O2's arguments was that device marks cannot and do not exclusively designate the characteristics of the

services or products covered by the application. None of these arguments was sufficient to convince the Appointed Person, and the refusal of each of the applications was maintained.

One example of the Appointed Person's reluctance to accept these arguments was in relation to the "i" symbol application in which she commented; "This is again a situation where one would have to be living on the moon not to be familiar with the pervasive use in commerce and otherwise of the "i" symbol to signify the making available or provision of information and advice."

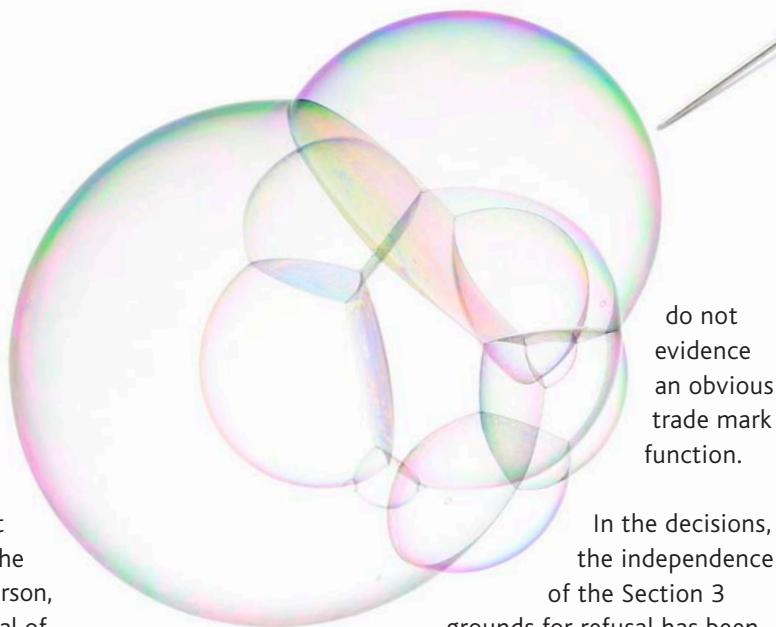
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The Appointed Person concluded that the average consumer would not recognise the icon/device marks applied for as performing a trade mark function unless educated to do so through use.

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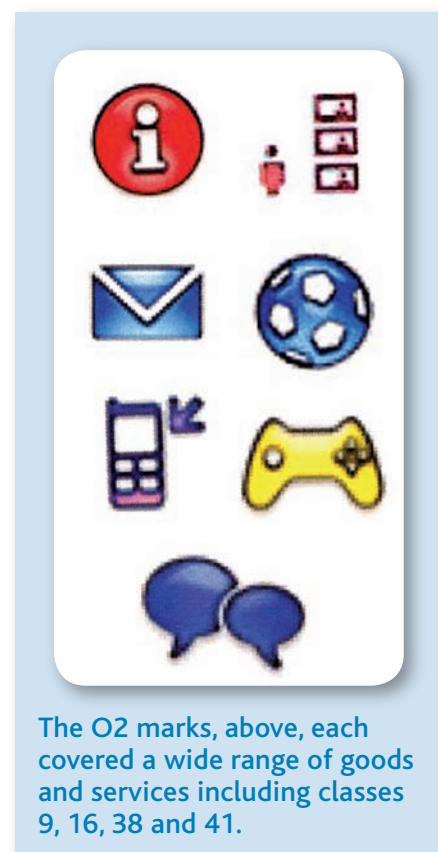
Indeed, the only instance in which the Appointed Person had any difficulty was in the case of the "Human Figure". However, eventually she concluded that this too would not be viewed as an indication of product source.

Trade mark proprietors wishing to register similar icons in the future should be cautious and note this case as an adverse precedent. It is illustrative of a general reluctance to grant monopoly rights in "signs" that



do not evidence an obvious trade mark function.

In the decisions, the independence of the Section 3 grounds for refusal has been reaffirmed; thus marks which are not seen to be descriptive may still fail under Section 3(1)(b) for being perceived by the average consumer as merely functional. As an alternative to overcoming the tests set out in this area relating to Trade Marks, it may be worthwhile considering pursuing the registration of such symbols as designs.



The O2 marks, above, each covered a wide range of goods and services including classes 9, 16, 38 and 41.



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## CONGRATULATIONS...

...to Richard Burton for gaining an LLM with distinction in Intellectual Property from the Southampton Solent University this year.

Richard's dissertation covered the problems which may arise in the registration and enforceability of non-conventional trade marks, a topic dear to the heart of all practitioners. Containing a thorough review of both law and decided cases, Richard's dissertation is a worthy contribution to the academic commentary in this field.



## CONFERENCE ATTENDANCE

### ITMA AUTUMN CONFERENCE

In her role as First Vice President of ITMA, Gillian Deas will be attending the ITMA Autumn Conference in Treviso, Italy, in September. Jane Harlow will also be attending.

### PTMG CONFERENCE

Angela Thornton-Jackson and Gillian Deas will be attending the 75th Pharmaceutical Trade Marks Group Conference in Budapest, Hungary, in October.

At both events, our D Young & Co representatives are very much looking forward to seeing friends and colleagues.

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