

# D YOUNG & CO TRADE MARK NEWSLETTER *no.54*

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## Welcoming the D Young & Co Dispute Resolution & Litigation Group Bringing Extensive Experience in All Forms of IP Enforcement and Exploitation



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## Events



Trade mark industry events taking place in Spring 2011.

**21-22 March 2011**

### PTMG Spring Conference

The Pharmaceutical Trade Marks Group Spring Conference will be taking place at the Grand Hotel, Brighton, UK. Registration opens in January 2011.

[www.ptmg.org](http://www.ptmg.org)

**4-5 May 2011**

### Anti-Counterfeiting Group Spring Conference

The ACG's Spring Conference will be taking place in Gloucestershire, UK.

[www.a-cg.org](http://www.a-cg.org)

**14-18 May 2011**

### INTA 133rd Annual Meeting

INTA's Annual Meeting will be taking place in San Francisco, USA. Registration opens in January 2011.

[www.inta.org](http://www.inta.org)

**8-11 June 2011**

### ECTA 30th Annual Conference

The European Communities Trademark Association's annual conference will be taking place in Stockholm, Sweden. Conference program and registration details will be released shortly.

[www.ecta.org](http://www.ecta.org)

For more information about these and other events visit: [www.dyoung.com/events](http://www.dyoung.com/events)

## Editorial



Welcome to the January 2011 edition of our trade mark newsletter.

As we welcome in the new year, we are also welcoming our new Dispute Resolution & Litigation Group. We are excited about the additional services the group will offer our clients. Full details of these services can be found on our website: [www.dyoung.com/litigation](http://www.dyoung.com/litigation). If you have any questions, please do not hesitate to get in touch with us.

We look forward to working with our clients and colleagues again in 2011 and wish all our readers a happy and prosperous new year!

### Editor:

**Angela Thornton-Jackson**



## Article 01

# Welcoming the D Young & Co Dispute Resolution & Litigation Group Bringing Extensive Experience in All Forms of IP Enforcement and Exploitation

**W**e are pleased to introduce our Dispute Resolution & Litigation Group. We are the first firm of patent and trade mark attorneys to establish a legal disciplinary practice in the UK.

Partners Ian Starr and Tamsin Holman, and associates Cam Gatta and Anna Reid, join us from the law firm, Ashurst, and have extensive experience in all forms of IP enforcement and exploitation, particularly alternative dispute resolution and general litigation.

The group have acted for a number of household names, as well as smaller clients, and particular areas of expertise include luxury goods, the fashion industry, FMCG, engineering/construction, pharmaceuticals, financial services and media/publishing. The group's services include:

**High Court Litigation:** Pursuing and defending IP infringement and other proceedings, including, in appropriate cases, emergency interim injunctions on short notice.

**Patents County Court Litigation:** Cost-effective, simplified proceedings aimed at SMEs requiring speedy resolution of disputes with cost-capping.

**Opposition Proceedings:** Working directly before the UK IPO, OHIM, EPO and worldwide via our network of trusted overseas lawyers.

**Mediation:** One of a variety of alternative dispute resolution methods available for the resolution of IP and other commercial disputes, either as a stand-alone process or within the context of court proceedings running in parallel.

**Arbitration:** ICC, LCIA and *ad hoc* arbitrations, often between international parties, for the resolution of technology and other complex IP-related commercial disputes, with the advantages of procedural flexibility and confidentiality inherent in arbitration proceedings.

**Domain Name Disputes:** Recovery of infringing domain names from opportunistic registrants and cybersquatters including, where necessary, UDRP proceedings at WIPO and

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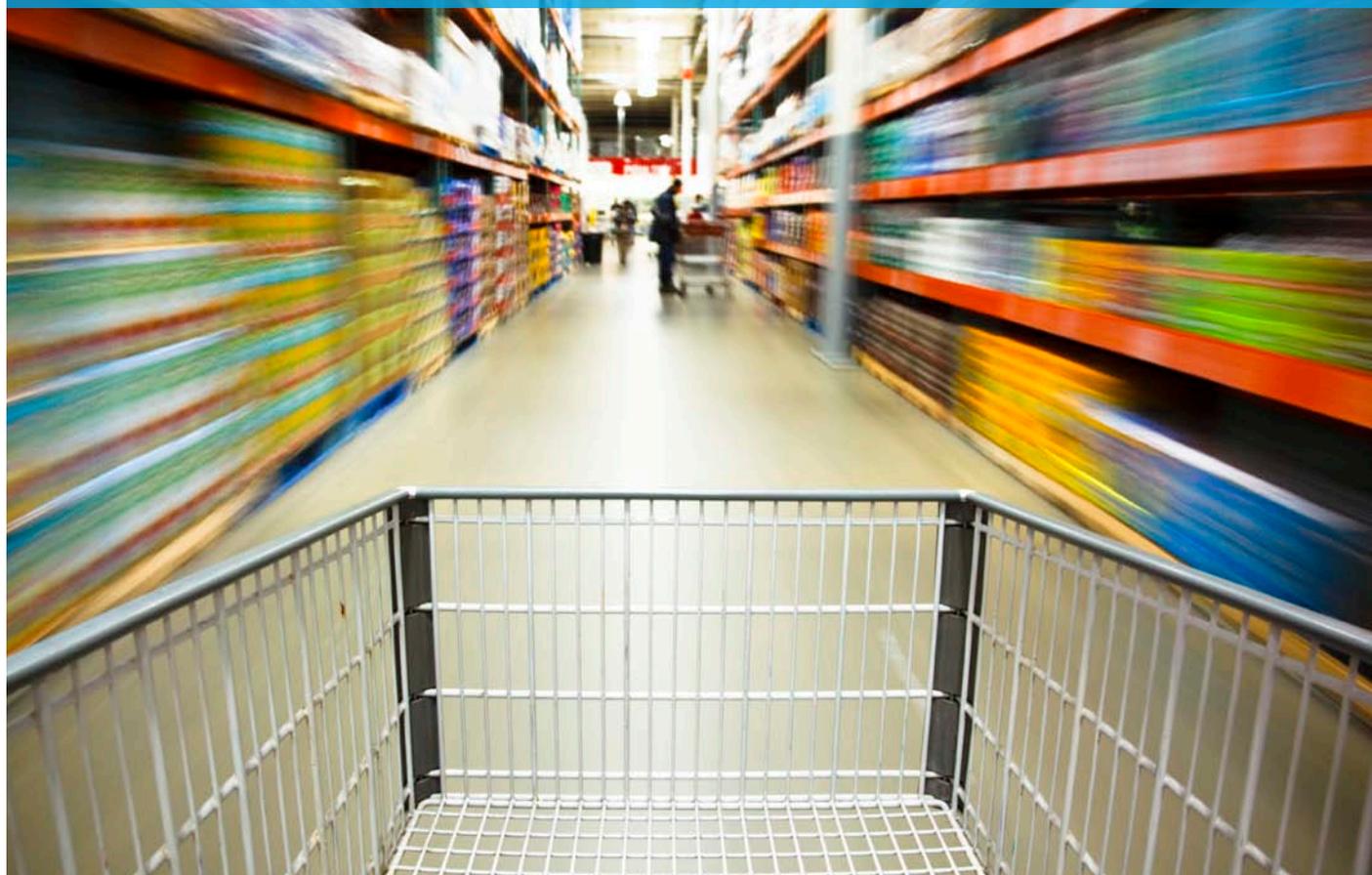
equivalent proceedings at Nominet and other national registries.

**Company Name Disputes:** Actions to secure the change of infringing company names, including proceedings before the Company Names Tribunal.

**Anti-Counterfeiting and Border Measures:** Securing border control assistance from Customs authorities, to identify and seize counterfeits at the point of entry into the EU and elsewhere. Anti-counterfeiting actions may also include covert investigations and liaising with Trading Standards and equivalent enforcement agencies.

# ‘Initial Interest Confusion’ Adopted by UK High Court Och-Ziff Management Europe Ltd & Anor v Och Capital LLP & Anor

A widespread recognition of the initial interest confusion doctrine in the UK could have a significant impact on the online retail trade



Initial interest confusion is a concept readily understood in US trade mark law. The doctrine allows for a finding of liability where a consumer may be initially confused as to the origin of goods/services, even if the confusion has been rectified by the time any purchase is made. This is the first time the principle has been so expressly recognised in UK law.

Och-Ziff owned CTM registrations for OCH and OCH-ZIFF in respect of financial services in class 36. They sued Och Capital for trade mark infringement in respect of use of the trade mark OCH CAPITAL for the same financial services.

As the corresponding trade marks were not identical, success in the action [under Article

9(1)(b) of the Directive] required Och Ziff to demonstrate a likelihood of confusion. It was here that the court found that there can be a likelihood of confusion within the meaning of Article 9(1)(b) at the point when a consumer views an advertisement, whether or not the advertisement leads to a sale and whether or not the consumer remains confused at the time of any such sale.

It was found that confusion arising from an advertisement is capable of causing actionable damage to the trade mark proprietor. Although there may be no diversion of sales, damage may still occur through an adverse effect on the reputation of the trade mark or an erosion of the distinctiveness of the trade mark.

This judgment is clearly good news for

trade mark proprietors whose brands are often used (particularly online) to attract consumers to view competing products. Although any confusion may be readily dispelled before a purchase is made, if initial interest confusion can be shown, trade mark owners may still be able to prevent such use. A widespread recognition of this doctrine in the UK could potentially have a significant impact on the online retail trade and may even impact on the purchase of keywords or other sponsored links which make use of a third party trade mark.

Further developments of the doctrine are awaited with interest.

**Author:**  
**Angela Thornton-Jackson**

# Groundless Threats of Infringement Trade Mark Owners Take Note!

Over the last year, we have noticed an increase in the number of clients asking us to take action against infringement and misuse of their intellectual property rights.

Such matters usually start with a letter before action putting the infringer on notice of the client's existing earlier rights - which may include trade mark registrations, common law rights in passing off, copyright, registered and/or unregistered design rights or patents. In a nutshell, the letter also typically requests that the alleged infringer cease the infringing use, and provide the client with written undertakings that they will not infringe in the future.

However, few clients are aware of provisions under UK trade mark law to prevent, what is referred to as 'groundless threats of infringement'.

Section 21 of the Trade Marks Act 1994 was introduced with the aim of preventing commercial damage being done to traders by unjustified threats of infringement being made to their distributors. It was an effort to ensure that, because of the potential damage and concern that may be caused by a threats letter, such threats were not made casually or recklessly, and followed from similar provisions existing in relation to patents and designs.

This provision entitles 'any person aggrieved' to bring proceedings, where a person threatens another with proceedings for infringement of a registered trade mark other than:

1. The application of the mark to goods or their packaging;
2. The importation of goods to which, or to the packaging of which, the mark has been applied;
3. The supply of services under the mark.

The mere notification that a trade mark is registered, or that an application for registration has been made, does not constitute a threat of proceedings for the purpose of this section.

However, the rules apply in relation to threats of trade mark infringement proceedings in the UK, whether the infringement is of a national right or a Community trade mark.

Clearly, trade mark infringement does not always fall neatly into the categories mentioned above. Often, the offending use does not relate to use of the mark as registered, but of a confusingly similar mark and may involve the infringement of a range of IP rights.

Although the idea behind the provision was that threats to alleged 'primary infringers' would be excluded from groundless threats actions (because primary infringers are in a better position to take a view on whether the threat is legitimate and on the likelihood

that proceedings would follow and be successful), the way in which the law has been applied in the past has resulted in a risk that any letter or communication before action, even to primary infringers, may fall foul of the groundless threats provisions, unless it is restricted to the specific infringements which are categorically exempt in Section 21.

*In most cases, a letter referring only to the exempt infringements would not have the required effect, or convey the issues fully.*

Attempts to avoid falling foul of Section 21 by, for example, sending separate letters - one asserting the existence of a registered trade mark right, and another referring to infringement of common law rights or copyright (where groundless threats do not apply) - may be interpreted as a groundless threat because of the cumulative effect of



the correspondence in question. Veiled or implied threats may similarly be interpreted as a groundless threat, given the broad drafting of the legislation. The test is whether an ordinary person receiving the communications in question would interpret them as a threat.

In view of this, the groundless threats provision may be used by infringers to intimidate or turn the tables on a trade mark owner, who, as a defendant in a groundless threats action, has to prove that the threat is justified – that the acts in respect of which proceedings were threatened constitute (or if done would constitute) an infringement of the registered trade mark concerned – and loses the tactical advantage of being the claimant leading the litigation.

*It should be noted that liability in a groundless threats action is not limited to the trade mark proprietor – their legal advisers (both in-house and external counsel) may also be sued.*

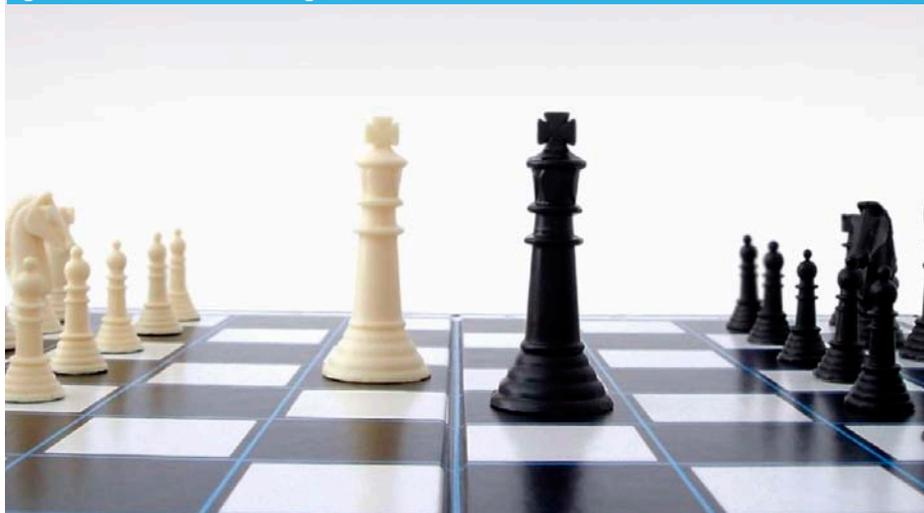
It is felt by the legal profession that Section 21 is counterproductive because it may force the issue of legal proceedings. It is detrimental to the prospects of dialogue and settlement, as it leads to a restrictive and unrealistic conversation, and encourages a ‘sue first, talk later’ approach. The rules also cause an increase in costs which is inconsistent with the Civil Procedure Rules (CPR), which aim to reduce the cost of litigation and encourage a ‘talk first, sue later’ approach.

The most recent High Court decision on groundless threats – *Best Buy Co Inc (and another) v Worldwide Sales Corporation España SL* - was issued in July 2010 and highlights the care that should be taken with correspondence, even when the parties involved are not based in the UK.

Best Buy Enterprises Services (Best Buy), a US corporation related to the claimants

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### Trade mark owners should be aware of provisions under UK trade mark law to prevent groundless threats of infringement



in the threats action, had filed a CTM application incorporating the words Best Buy which Worldwide Sales Corporation España (España) had opposed on the basis of their own earlier Spanish and CTM registrations. The UK attorneys for Best Buy wrote to the attorneys for España, asserting their client’s extensive reputation in the mark Best Buy but, nonetheless, requesting their agreement to extend the cooling off period in the opposition, in order to explore possible co-existence.

The attorneys for España responded by setting out their own client’s rights and advising that the proposed use by Best Buy in Europe, and in particular Spain, represented a conflict with the IP rights of España, and that these rights entitled it to take the appropriate legal action to defend its interests. The letter went on to say that, despite this, España would be prepared to consider a negotiated solution in exchange for financial compensation.

Negotiations subsequently broke down and the claimant issued proceedings for groundless threats against España in the UK.

The court held that the letter from the attorneys for España constituted a threat to sue in the UK because they referred to

their earlier rights in Europe and Best Buy had widely publicised its plans to launch their European shops first in the UK, so could rightly fear infringement proceedings in this country. The threats made were not limited to the excluded acts in Section 21 so fell within the scope of an action against groundless threats.

In this case, España was able to defeat the groundless threats action because the court found that, when examined in context, their correspondence fell within the without prejudice rule, which allows parties to negotiate without fear that their correspondence will be brought as evidence should a settlement not be reached and litigation ensue.

The risk of groundless threats actions creates a potential trap for the unwary. It is hoped that the UK rules on groundless threats of infringement will be reviewed and amended (and hopefully abolished!) in the case of trade marks. In the meantime, clients contemplating action should discuss the specific issues of their case with their usual D Young & Co adviser in order to establish the best course of action.

Author:  
Vivienne Coleman



# L'Oréal v eBay ECJ Responds to UK High Court Questions



Following on from a reference from the UK High Court, the Attorney General has now delivered his eagerly awaited opinion in the ongoing dispute between L'Oréal SA and eBay, which concerns the sale of counterfeit perfume bottles on eBay's auction website.

## Background

L'Oréal manufactures and supplies perfumes, cosmetics and hair care products but distributes these products via a closed selective distribution network. Distribution is controlled through contracts which restrain the sale of L'Oréal's products to non-authorised distributors.

In 2007, L'Oréal became aware that eBay was offering products produced by L'Oréal on its website, and further, that some of the L'Oréal products were not actually intended for sale in the European Economic Area (EEA) but had ended up in the EEA by virtue of sales through eBay. Some products were also sold without their original packaging.

To stop individual sellers in an effective way, L'Oréal would like to obtain court orders against eBay so that its trade marks would be better protected.

L'Oréal's argument is that eBay's purchase of keywords (from paid internet referencing services such as Google's AdWords) attracts consumers to its website who then purchase L'Oréal branded goods which infringe L'Oréal's trade mark rights. Consequently, eBay is liable for trade mark infringement in relation to the use of L'Oréal's trade marks on its site and in relation to its sponsored links on third party search engines.

The High Court in the UK referred various questions to the European Court of Justice (ECJ) for review and, as is customary, the Attorney General has now issued his opinion in response to these questions.

## AG's Opinion

The main points arising out of the Attorney General's opinion are as follows:

1. Where perfume and cosmetic bottles which are not intended for sale to consumers are supplied free of charge to the trade mark owner's distributor, such goods are not 'put on the market' and the proprietor is entitled to oppose the further commercialisation of these products where the outer packaging has been removed without the proprietor's consent, and where one of the following applies:
  - a. The products do not bear the information required by the law;
  - b. The removal of the outer packaging changes or impairs the condition of the goods;
  - c. Further commercialisation of the product damages or is liable to damage the image or reputation of the trade mark.
2. Further, where a trader operating an electronic marketplace (such as eBay) purchases a keyword identical to a registered trade mark and uses this as a sponsored link to his website, or where clicking on the sponsored link leads the user directly to advertisements or offers for sale of goods identical to those for which the trade mark is registered, there is use of the sign within the meaning of Article 9 of the CTM Regulation (Section 10 UK Trade Marks Act 1994) relating to infringement. However, in relation to the latter point, the sponsored link does not have an adverse effect on the function of the trade mark provided the average consumer understands that the operator of the electronic marketplace is offering third party products or services for sale.
3. If the goods have not yet been put on the market in the EEA with the consent of the proprietor, it is sufficient to show that advertisements for the goods target consumers within the territory covered by the trade mark.
4. Displaying the sign on the website of the operator of the electronic marketplace, but not using it as a sponsored link, does not constitute use in relation to the infringing goods referred to under Article 9 of the CTM Regulation (Section 10 Trade Marks Act 1994).
5. 'Actual knowledge' of illegal activity or information or 'awareness' of facts or circumstances exists within the meaning of Article 14 of Directive 2000/31 on Electronic Commerce (this section relates to liability of intermediary service providers), where the operator of the electronic marketplace has knowledge that goods have been advertised or offered for sale on its website in infringement of a registered trade mark, and that infringements by the same user are likely to continue. Consequently, exemption from liability does not apply in such cases.
6. Where the services of the operator of the electronic marketplace (the intermediary) have been used by a third party to infringe a registered trade mark, the trade mark proprietor should be entitled to obtain an effective, dissuasive and proportionate injunction against the intermediary to prevent continuation or repetition of that infringement by that third party.

## Comment

It remains to be seen whether the UK High Court will apply the Attorney General's opinion, but the decision is likely to be an important decision for both brand owners and the owners of auction websites alike.

Author:  
Gemma Williams



AG's full opinion: <http://bit.ly/C23409>

# BEKO SPORT Rejected Principles of ECJ Judgment in L'Oréal v Bellure Applied by Appointed Person

This case concerned the Appointed Person (AP) in the UK overturning a decision of the Trade Mark Office allowing the registration of the trade mark BEKO SPORT (see below) notwithstanding an opposition by Beko Plc.

## BEKO Sport

The case is interesting because it is one of the first which examines the application of the ECJ judgment in L'Oréal v Bellure (case C-487/07) to the corresponding proceedings before the Court of Appeal in the UK. The case focuses on the intent of the user of the mark applied for and not only on its impact on the earlier trade mark.

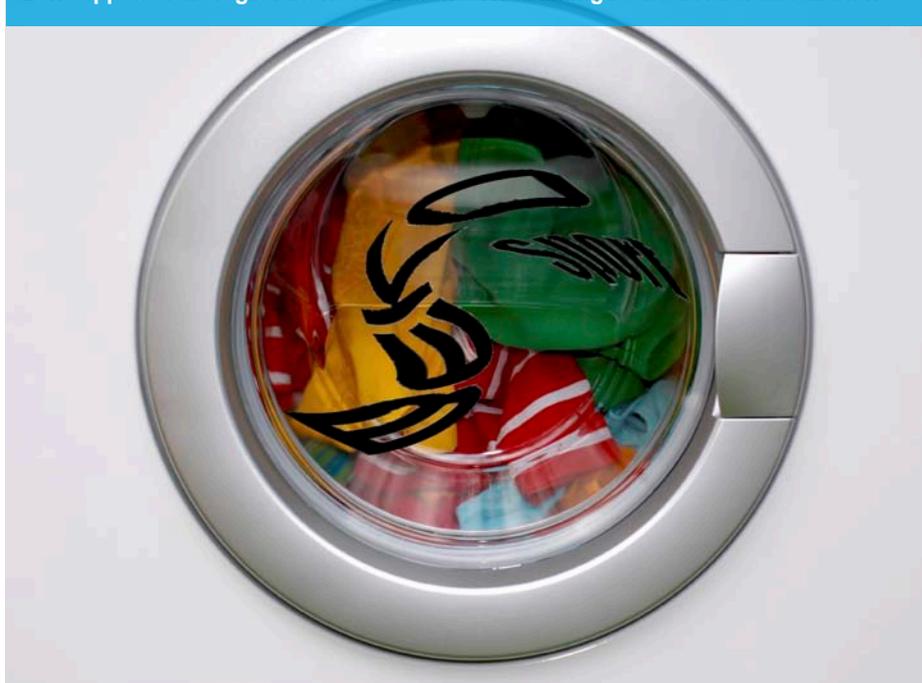
Beko is part of a substantial Turkish-based group of companies who produce white goods such as fridges, washing machines and cooking appliances. By 2007 the Beko brand represented 17% of the UK refrigerator market and total sales of all Beko products in the UK between 2000-2006 were in excess of £0.75bn.

Socks World International Ltd sought to register the BEKO SPORT mark in a stylised form in Class 25 for clothing, footwear and headgear. The mark was opposed claiming both bad faith and dilution. Whilst Beko had no interest in the clothing market it did sponsor a London football team with the result that their BEKO brand was emblazoned on the team's shirts.

The AP considered the question of dilution in some detail reviewing the ECJ judgment in L'Oréal v Bellure and, perhaps more importantly, the way in which that judgment was then applied to the UK cases, Whirlpool v Kenwood and more recently by the Court of Appeal in L'Oréal v Bellure. Jacob LJ, one of judges sitting in the Court of Appeal, included *obiter* comments in the judgment disagreeing with the ECJ ruling but still concluded that it was his duty to apply it to the facts of the UK case.

In the case of BEKO SPORT the AP concluded that UK courts have extended the protection given against intentional free riding even if

Beko opposed the registration of BEKO SPORT claiming both bad faith and dilution



it does not cause damage to a proprietor's reputation or mark. The AP held that the Hearing Officer had not sufficiently analysed the reputation enjoyed by Beko in respect of its household goods.

*Importantly, the AP concluded that the hearing officer could not have undertaken the assessment on the basis of the approach set out in the judgment of the ECJ or the observations of the Court of Appeal in L'Oréal v Bellure, which at that stage had not been given.*

Those decisions, in the opinion of the AP, entitled the tribunal to give greater weight to the evidence relating to the intention on the part of the applicant to benefit from the reputation of the earlier mark. He concluded that it is right to adopt somewhat more latitude at an appellate tribunal in the review of the decision than would be the case had the law remained

completely unchanged. Following the REEF decision it was accepted that for an AP to overturn the decision of a hearing officer there needs to be an error in law or the application of the principles by the hearing officer. A hearing before the AP is not a re-hearing but simply an examination of where the hearing officer may have erred.

In BEKO SPORT the AP concluded that because of the virtual identity of the respective marks and the specific font chosen by the applicant, the hearing officer should have upheld the Section 5(3) objection claiming harm to the distinctive character or repute of the earlier trade mark. Accordingly the appeal was allowed on this ground but not in relation to bad faith.

The decision is to be welcomed by brand owners as it confirms that the principles of the ECJ judgment in L'Oréal v Bellure have filtered through not only to the UK Courts but also the Trade Mark Office.

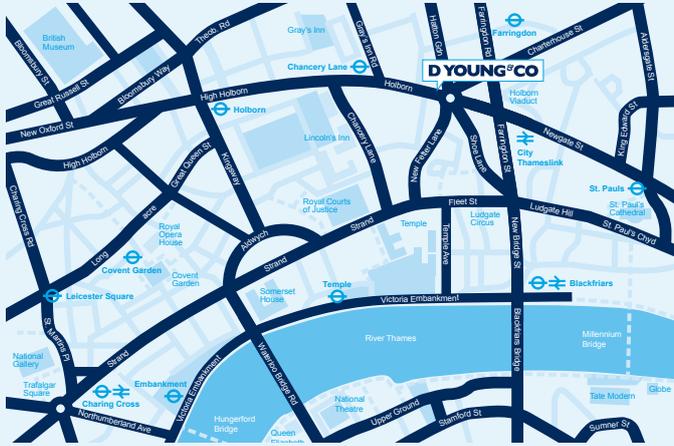
Author:  
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# D YOUNG & CO INTELLECTUAL PROPERTY

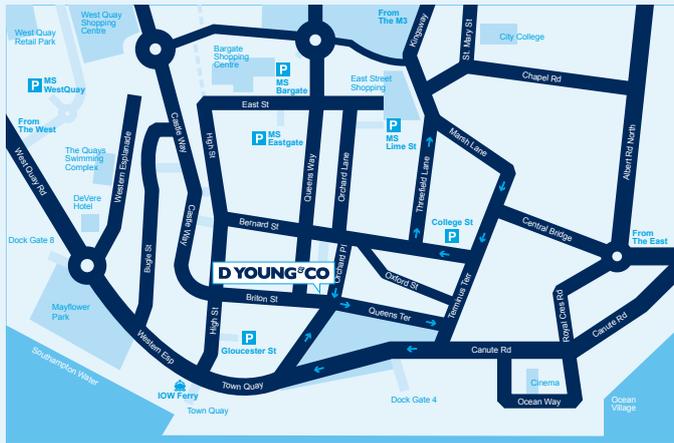
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### Quality & Focus

With an impeccable track record in trade mark protection and ranked year on year as top tier in the profession, the D Young & Co Trade Mark Group sets the standard for trade mark work. Particular areas of expertise include luxury brands, the fashion industry, pharmaceuticals, cosmetics, household goods, sports, entertainment, food and drink.

### Reliable & Responsive

The Group has been consistently in the top five for UK filings in the last 10 years and has a substantial Community Trade Mark (CTM) prosecution and opposition practice. Our clients range from innovative individuals and sole traders to global brand leaders.

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