

ARSENAL v. REED – A YELLOW CARD FOR COUNTERFEITERS

In order to infringe a registered mark, must the unauthorised use be a “trade mark use”, i.e. to indicate origin?

Following a referral by the English High Court to the European Court of Justice last year, the Advocate General (who advises the ECJ on how to interpret points of law for future guidance) has issued his opinion on this point.

Much to the relief of brand owners, particularly football clubs who engage in merchandising as a valuable source of income, the opinion points strongly to the conclusion that unauthorised users of registered trade marks on such merchandise cannot escape liability for infringement by arguing that their use is not a “trade mark use”. In his referral to the ECJ, the English judge had suggested that it might not be an infringement if the ultimate purchaser was motivated to buy the goods by a desire to demonstrate allegiance to the football club; he suggested that the trade marks appearing on the merchandise would not be operating as trade marks, but rather as a badge of loyalty or allegiance akin to a mere decoration.

After a thorough analysis of the functions which trade marks perform in today's commercial arena (which include, according to the Advocate General, serving as indications of quality, reputation or the renown of the producer or provider of the goods or services, as well as the classic indication of origin), the Advocate General has suggested that all such uses in a commercial context may be prevented by the trade mark owner.

Where any such use of the identical mark occurs on identical goods or services, there will be a presumption of confusion which it is for the defendant to rebut. In the case where the defendant is exploiting the mark commercially, regardless of his motivation, the Advocate General's opinion strongly suggests that this is almost certainly an infringement.

While the opinion has yet to be followed in a full decision from the ECJ, it is usually strongly persuasive and points the way to the ultimate conclusions of the court. The opinion will be popular with all businesses who derive an income from merchandising, particularly in the field of sports such as football or tennis.

The Advocate General's opinion is also notable for quoting extensively from a number of external sources which analyse the importance of football to its fans and those who derive their living from it. There is even a quote from the late great Bill Shankly – “Football isn't a matter of life and death. Its far more important than that.” Clearly this Advocate General is a football fan.

BABY-DRY – A HIGH WATER MARK FOR DISTINCTIVENESS?

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The decision, in September 2001, by the European Court of Justice that a mark such as BABY-DRY, which combines two descriptive words in an unusual manner, should qualify as distinctive was greeted with surprise and some dismay by the UK Trade Marks Registry and the Community Trade Mark Office.

Current indications are that the decision may not have the revolutionary effect on previous practice that some commentators suggested. Moreover, in a recent opinion (published on 14th May 2002) in the COMPANYLINE matter (case c-104/00P) the Advocate General has suggested that there must be a *perceptible* difference between the mark applied for and the normal descriptive term in context before the BABY-DRY reasoning can apply. In a gloss on the original test, the opinion states that “perceptible” does not mean “minimal” and that a mere combination of two words which have an obvious meaning (*in casu* COMPANY and LINE) is not enough to render the mark distinctive.

The Advocate General in COMPANYLINE also casts doubt on the suggestion in BABY-DRY (which did contradict previous statements by the ECJ in the WINDSURFING case) that it was unnecessary to take account of the effect which registration might have on future users of similar signs when assessing distinctiveness, i.e. the public policy aspects of permitting registration of descriptive terms. In his opinion in COMPANYLINE the Advocate General has called on the ECJ to resolve this apparent conflict.

At the same time, in a surprise move, the Community Trade Mark Office has indicated to the applicants for BABY-DRY, who might reasonably have thought that their mark was now going forward to registration, that the decision by the ECJ does not appear to have resolved the point of objection originally raised under Article 7(1)(b) of the CTM Regulation (i.e. that the mark was devoid of distinctive character). This notwithstanding the clear statement by the ECJ that if a descriptive term has a perceptible difference from the norm this is “apt to confer distinctive character on the word combination” thus enabling it to be registered as a trade mark and for Article 7(1)(c) objections to be inapplicable.

To add to the confusion, the UK Trade Mark Registry have now issued a Practice Note (PAN 4/02) concerning the effects of BABY-DRY, again commenting on the differences in approach by the ECJ as between BABY-DRY and WINDSURFING, and indicating the manner in which they will interpret the test under the UK law provisions forbidding registration of descriptive signs or indications.

According to the UK Registry, the difference between the trade mark applied for and the “usual ways of designating the goods or services” must be *perceptible at first impression to the average consumer* for the mark to qualify as registrable.

Moreover, since they consider that the ECJ judgment in BABY-DRY did not determine the full scope of Article 7(1)(b) of the Regulation (which prohibits marks which are devoid of any distinctive character), they reserve the right to refuse descriptive terms not because they are descriptive, but because they are “just too commonplace”. In particular, slogans may be refused on this basis.

A further UK Registry Practice Notice (PAN 5/02) also suggests that non-obvious misspellings of descriptive words may be acceptable, but words which are commonly misspelt, or where the public are not used to seeing them written down, may still be refused, e.g. XTRA for “extra”, or COLOR for “colour”.

It was perhaps inevitable that the “high water mark” for trade mark owners represented by BABY-DRY would be eroded by the innate resistance to change in the bodies who administer trade mark registration on a day-to-day basis. It is, however, disappointing that the reaction should have set in quite so soon. It should still be remembered, however, that the interpretation of distinctiveness of descriptive terms set out by the ECJ in the BABY-DRY decision is still the most up-to-date and authoritative statement on this topic and should therefore have strong precedent value.

UK DOMAIN NAME DISPUTES - UPDATE

On 19 June, Nominet issued a press release calling on complainants and their advisors to improve the quality of their submissions or risk having the case dismissed. Nominet's new dispute resolution service has been running for 8 months, during which time 350 cases have been dealt with. Many of these were deemed invalid because they did not comply with the procedure. Many complaints, a significant number of which were lodged by solicitors, failed to address the key points of the policy procedure or to provide any evidence to support their assertions. The Chairman of Nominet's Panel of Independent Experts has indicated that they are going to get tougher with those submitting poor quality applications and that in future common sense assumptions may not necessarily be made on the complainant's behalf.

Figures show that over 50% of the cases lodged with Nominet are successfully resolved by Nominet's mediation process which lasts for a maximum of 10 days. Of those referred to an independent expert, 85% have the complaint upheld.



Whilst this latter figure may be viewed as demonstrating a bias towards brand owners (the majority of the complainants), it is countered by Nominet who say that only with those with a strong case pursue matters beyond the first, free, stage.

Recent cases have included *Zippo Manufacturing Company v. Ronald Robinson* where the expert held that the registration or use of a domain name which incorporates a well-known trade mark without the express consent of the trade mark owner, should not necessarily be regarded as unfair where it is genuinely registered and used for the purpose of advertising authentic goods. Nevertheless, registration of zippo-lighters.co.uk was held to be an abusive registration, taking unfair advantage of and unfairly detrimental to the complainant's rights in the ZIPPO name. This is because there was no indication on the respondent's web page that it was not operated or authorised by the complainant, with the result that confusion was likely to arise.

In *Ebel v. Sm@rtNet Ltd*, it was held that the registration of only 4 domain names by the respondent was sufficient to find that they were engaged "in the pattern of making abusive registrations". In addition to registering ebel.co.uk, the respondent had also registered tagheuer.co.uk, patekphilippe.co.uk and breitling.co.uk; all these domain names containing trade marks registered for luxury watches.

In the case of *Tarmac Ltd v. Andrew Etches*, the complainant was successful in seeking the transfer of the domain name tarmacvandal.co.uk. Whilst the respondent failed to answer the complaint, the expert felt that as the domain name resolved to a website relating to performance and modified road cars arranging "cruises or rave rallies in cars" it amounted to an abusive registration on the basis that it is being used in a manner which takes unfair advantage of the complainant's rights. The complainant tried to argue that there was evidence of actual confusion; however, no such evidence was submitted, with the result that the complainant only succeeded because the list of factors which point to abusive registrations under paragraph 3 of the Dispute Resolution Policy is not exhaustive.

D Young & Co have been involved in a substantial number of domain name dispute matters before not only Nominet, but also under the UDRP. To date we have a 100% success rate for our clients and hope to maintain this with complaints recently lodged, including one against 42 domain names registered by a single entity. The majority of our cases have involved acting for the proprietors of well-known brands; however, we are happy to advise on all types of cases, both before Nominet and under the UDRP.

WHEN IS A SHAPE NOT A TRADE MARK? – THE ECJ DECISION IN PHILIPS V. REMINGTON

Although the definition of "trade mark" in the UK Trade Marks Act specifically refers to "the shape of goods", following the recent ECJ decision in *Philips & Remington*, it seems that not many basic or functional shapes will qualify for registered trade mark protection.

The case concerned a trade mark registration for a picture of a 3-headed rotary shaver owned by Philips. Following Remington's introduction of a rival 3-headed rotary shaver product in the UK, Philips took action for trade mark infringement. In their counter-claim Remington asserted that the registration was invalid. They relied not only on alleged lack of distinctiveness and descriptiveness but also on the special provisions in the Trade Marks Act which preclude registration of certain types of shape (essentially those which are functional or where the shape is intrinsic to the nature of the product).

In the High Court the judge found that the registration was invalid and not infringed. On appeal, the UK Court of Appeal referred a number of questions of interpretation to the European Court of Justice for guidance regarding the types of shape which would qualify for trade mark registration under the new law.

In one of their arguments, Remington had claimed that there were certain categories of sign, in particular shapes which, despite being distinctive in fact, could not qualify for registration because they could not fulfil the basic function of a trade mark i.e. to signify origin. The ECJ rejected this argument; according to them if by virtue of its intrinsic characteristics, or as a result of the use made, the shape was capable of



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distinguishing the applicant's goods then it would be registrable.

Moreover the basic criteria for registration of shapes were not, according to the ECJ, any higher than those for other types of sign where trade mark protection is sought; in particular they held that there was no need to have a "capricious addition" or embellishment to the shape for it to be capable of performing a trade mark function.

Nevertheless they did indicate that where the applicant for the shape mark was in a monopoly position at the time of filing for trade mark protection, the standard of proof required to satisfy the acquired

distinctiveness requirement could be more onerous. The test is still whether a substantial proportion of the relevant public associate that shape with the trader and no other, or believe that goods of that shape came from that trader, but the shape must be seen by the public as having trade mark character. Proving that this is in fact the perception of the relevant consuming public is likely to be problematic.

Although their decision gives positive responses to the more general questions as to whether shapes are to be given different treatment to other types of sign when assessing their trade mark characteristics, the ECJ concluded their judgement by finding that marks consisting of the shape of goods "necessary to obtain a technical result" should be refused - even if there are other shapes for the goods that could achieve the same technical result. Moreover if the shape mark fails this "technical result" test, then the fact that it has acquired distinctiveness through use so as to satisfy the test of trade mark recognition by the public is not going to save it.

Thus, shape marks are to be treated differently and less favourably than other signs for which trade mark registration is sought under the law as interpreted by the ECJ. The rationale is that giving perpetual trade mark monopoly rights to functional designs or shapes of products is an undue extension of the system of IP protection at the expense of the public interest. If a trader designs a new product shape which has technical or functional characteristics it should be protected under the Patent, Copyright or Design Right provisions of IP law rather than through the perpetual monopoly afforded by trade mark registration.



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