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Trade mark update for 2018

There were several high profile trade mark cases in 2017 and we have put together a summary of our top 10 trade mark cases from the last 12 months. Key developments include the Supreme Court finding that there is potential criminal liability for dealing in parallel imports under section 92(1) the Trade Marks Act 1994 and the Court of Appeal making it ever more difficult for brand owners to obtain shape mark protection in light of its judgments on acquired distinctiveness. We also review the impact of two particularly important areas of new legislation: the EUTM reforms and a new unjustified threats regime which both came into force on 1 October 2017.

Parallel imports

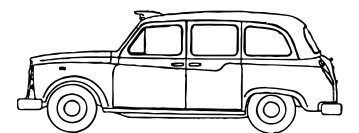
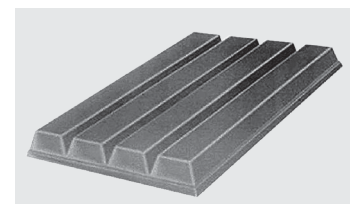
R v M (Appellant), R v C (Appellant) and R v T (Appellant) [2017] UKSC 58

The Supreme Court considered whether a criminal offence can be committed under sections 92(1)(a), (b) and (c) of the Trade Marks Act 1994 ('TMA'), (selling, offering for sale or distribution/possession with a view to sale), where the trade mark proprietor has applied its trade mark to the goods or provided its consent to the application of its trade mark to the goods, but has not given its consent to the sale, distribution or possession of the goods.

The appellants sought to draw a distinction between "true" counterfeit goods and grey

goods and argued that the sale of grey goods attracts civil liability only pursuant to s.91 of the TMA and not criminal liability under s. 92 of the TMA. The Court found that there was no need to strain the construction of s. 92(1) and the sale of grey market goods is caught by this section of the TMA. The requirement of the trade mark proprietor's lack of consent applied to every subsection of s. 92(1) of the TMA and that the subsections were not cumulative.

There is criminal liability for dealing in parallel imports (grey goods) pursuant to s. 92(1) of the TMA, if the sale/distribution of those goods were not authorised for sale/distribution by the trade mark proprietor.



AdWords

Argos Ltd v Argos Systems Inc. [2017] EWHC 231

The UK retailer, Argos alleged that the American defendant's use of www.argos.com constituted trade mark infringement and passing off. The defendant had registered its domain in 1992, some four years before the claimant registered www.argos.co.uk. Whilst the claimant did not object to the defendant's use of the .com domain, it did object to the use of this domain in combination with Google-generated adverts via the Google AdSense programme. Google AdSense automates the display of adverts on third party websites with Google paying the website owner to feature the AdWords ads.

The mere display of adverts for the claimant on the defendant's website was not enough for a finding of infringement or passing off. The ARGOS sign was not being used in the UK as there was no express

targeting of UK consumers. It was likely that the vast majority of consumers ignored such adverts in any event – most UK customers searching for the claimant's site left the defendant's site almost immediately. The court referred to these visits by UK customers as "*overwhelmingly a product of mistake*", which was insufficient to qualify as targeting.

The claimant was found to have consented to the display of adverts on the defendant's site as it had agreed to Google's terms when it signed up to participate in the Google AdWords programme. When using Google AdWords, businesses should consider using the feature which blocks ads appearing on select domains as had the claimant utilised this feature, its adverts would not have appeared on the defendant's website. The case also highlights the importance of acquiring top level domains as the same time as registering trade marks.

Own name defence

Sky Plc & Ors v SkyKick UK Ltd & Anor [2017] EWHC 1769

The defendants sought to rely on the "own name defence" in defending a trade mark infringement and passing off claim in the UK. The defendant's claimed that they were simply using their own name (SkyKick) in accordance with honest practices and made a pre-trial application for a reference to the CJEU on whether Article 1(13) of Regulation (EU) 2015/2424 is contrary to EU rights and therefore invalid.

The effect of Article 1(13) is to abolish the own name defence in so far as that defence applies to corporate entities, such as the defendants in respect of EUTMs. The own name defence still applies to corporate entities in the UK in respect of UK national marks pursuant to s.11(2)(a) of the TMA. However, the TMA is due to be amended in accordance with the new EU Trade Mark Directive (EU) 2015/2436 to apply as a defence to infringement for natural persons only (in line with the existing position for EUTMs).

The court declined to make a reference to the CJEU, preferring to keep the main UK legal proceedings on track for trial in 2018. The court found that the merits on the argument were not strong enough either way to weigh in the balance in the exercise of the Court's discretion to make a pre-trial reference to the CJEU. Whilst the outcome of the case might depend upon the own name defence issue, this was not the only possible outcome eg the defendants could be held not to infringe, in which case the own name defence to infringement would not

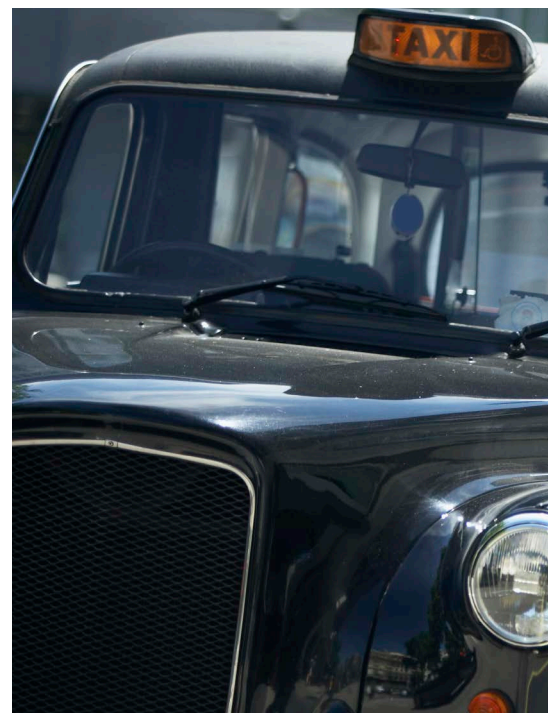
be relevant. This case highlights the discrepancy in the application of this defence to UK national marks and EUTMs. The deadline for the UK to ratify the EU Trade Mark Directive is 14 January 2019 – it remains to be seen if the UK will ratify in light of Brexit. If the UK does not ratify the Directive, the divergence between UK law and EU law as highlighted in this case will remain – i.e. the own name defence may remain as an option for corporate entities in relation to UK trade marks.

Azumi Ltd v Zuma's Choice Pet Products Ltd and others [2017] EWHC 609

The own name defence was also considered by the High Court where the owners of the restaurant ZUMA objected to use of and the application to register "DINE IN WITH ZUMA" for petfood. The director of the defendant sought to rely upon the own name defence as 'Zuma' was her dog's name.



The court confirmed that the own name defence is for natural persons and not animals! Whilst the corporate defendant, Zuma's Choice Pet Products Limited could technically avail of the defence in respect of infringement of the claimant's UK mark, the defence failed because "Zuma" was not actually the company's name. The court found that the defendant's use of Zuma was detrimental to the distinctive character and reputation of the claimant's ZUMA marks.

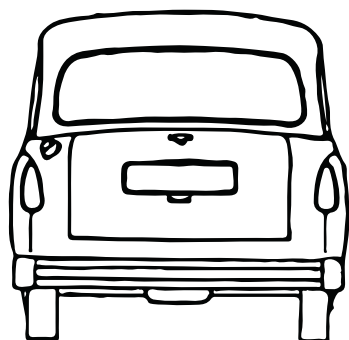
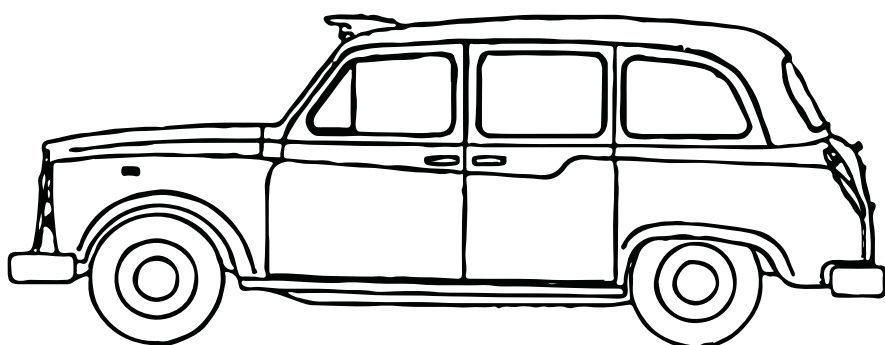


Shape marks

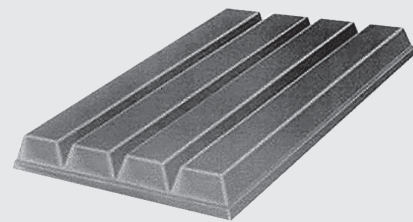
The London Taxi Corporation v Frazer-Nash & Anor [2017] EWCA Civ 1729

The Court of Appeal upheld the High Court's decision confirming that the shape of a London taxi is invalid as the registered trade marks lacked both inherent and acquired distinctive character. Whilst the appeal considered several issues, the main area of argument between the parties was on the issue of acquired distinctiveness. The iconic black cab is undoubtedly a highly recognisable vehicle, but the Court of Appeal's view was that this was insufficient to prove that the relevant shape marks have "*come to identify the taxis as originating from a particular undertaking and so to distinguish those goods from those of other undertakings*".

The Court departed from the High Court's judgment in considering the category of people failing within the "average consumer" test, finding that a member of the public who hires a taxi should be treated as an "average consumer" of the goods in question. In the High Court, the average consumer did not include members of the public who hired taxis, since they were merely users of the service provided by the consumer of the goods. The Court of Appeal held that it did not matter whether a user was someone who took complete possession of the goods or someone who merely hired the goods under the control of a third party. Whilst taxi passengers were not necessarily excluded as part of the average consumer, the passengers' focus would be on the provider of the taxi services, rather than the vehicle manufacturer. The Court highlighted that, as always in the case of a shape mark, the public are not used to the shape of a product being used as an indication of origin.



*Société des Produits Nestlé v
Cadbury UK Ltd*
[2017] EWCA Civ 358



The Court of Appeal upheld the High Court's decision refusing Nestlé's application for a shape mark protection for the Kit Kat, as it was not convinced that the shape satisfied the acquired distinctiveness test for the purposes of trade mark registration. In assessing acquired distinctiveness, it is not sufficient that a significant proportion of the relevant class of persons recognises and associates the shape with an applicant's products or that the shape has become very well-known. The essential function of a trade mark is to guarantee origin to consumers. Therefore, consumers must perceive the shape alone (as opposed to any other mark which may also be present), as exclusively indicating origin.

The Kit Kat product is of note as it has a brand name which is inherently highly distinctive and over time, the shape has become well known. However, this does not necessarily mean that the public perceive the shape of the Kit Kat as originating from Nestlé. The public might simply find it brings to mind the product and brand name which they are familiar with, or that they regard the shape as characteristic of products of that kind. These kinds of recognition/association are simply not sufficient for asserting distinctiveness under trade mark law.

For more detail, see our newsflash here: <http://sites.herbertsmithfreehills.vutorex.com/57/14004/compose-email/court-of-appeal-foils-kit-kat-on-acquired-distinctiveness.asp>

Both of the above shape mark cases from the Court of Appeal illustrate the difficulties in seeking to obtain protection for shape marks. Brand owners should only seek to protect shapes which are unusual and distinctive, as there is such a high hurdle to surmount in order to successfully register a 3D shape mark. Whilst the criteria for assessing distinctiveness for all types of trade marks is technically the same, in practice, it is clear that the relevant public's perception is not the same for 3D marks, as it would be with word or figurative marks. It is harder to establish distinctiveness for a 3D mark.

Protected Designation of Origin

Comité Interprofessionnel du Vin de Champagne v Aldi Süd Dienstleistungs-GmbH & Co.OHG, C-393/16

In 2012, the CIVC (the association of champagne producers), brought proceedings in Germany against Aldi seeking an injunction to prevent the sale of a dessert called "Champagner Sorbet", which contained 12% champagne.



'Champagne' is a protected designation of origin ('PDO') and the CIVC argued that the name "Champagner Sorbet" infringed its rights in this PDO. After various appeals, the German Federal Court of Justice made a reference to the CJEU, asking:

- i) whether Article 118m(2)(a)(ii) of Regulation 1234/2007 and Article 103(2)(a)(ii) of Regulation 1308/2013

also apply where a PDO is used as part of the name of a foodstuff which does not correspond to the product specifications but to which an ingredient has been added which does correspond to the product specifications; and

- ii) whether and in what sense the use of 'Champagner Sorbet' would constitute undue exploitation of the reputation of the PDO 'Champagne'.

The CJEU affirmed that the scope of the two provisions in each Regulation is to be understood broadly. Those provisions encompass any direct or indirect commercial use of a PDO and protect the PDO-holder against the taking of an undue advantage over its reputation. The CJEU considered that the name 'Champagner Sorbet' conveys an image of prestige and luxury, and therefore could take advantage of the reputation of the PDO. The CJEU found that the Champagne name could be used if the sorbet "*has, as one of its essential characteristics, a taste attributable primarily to champagne. If that is the case, that product name does not take undue advantage of the protected designation of origin 'Champagne'*". Whilst the ultimate decision is one for the referring German court, it seems likely that Aldi will be permitted to use the name.

Prior existing third party goodwill

Caspian Pizza Ltd & Ors v Shah & Anor [2017] EWCA Civ 1874

This case concerned the owners and licensee of word and device marks for "Caspian", who commenced trade mark infringement proceedings for the unauthorised use by the defendants of the name "Caspian Pizza" for a pizza business, after an alleged informal franchise agreement had ended. The Court of Appeal considered whether a trade mark could be invalidated on the grounds of prior existing third party goodwill in a confined geographical area and ruled that, under s. 5(4) of the TMA, goodwill established in a specific locality was capable of preventing registration of a countrywide mark. The court confirmed that it is not necessary for goodwill to be established nationwide and that, once a trade mark had been registered, prior localised goodwill was capable of invalidating a mark under s. 47 of the TMA. Accordingly, the word and device marks for "Caspian" were both held to be invalid.

The court recognised that a trade mark application could be made subject to territorial limitations, but this can only be done prior to registration. Once a trade mark has been registered, the registration cannot be altered

to restrict its geographical scope. Brand owners should exercise caution before commencing proceedings in circumstances where the counterparty may have pre-existing goodwill in a locality, as this may be enough to provide a defence to an infringement claim and provide grounds for an invalidity application.

For more detail, see our newsflash here: <http://sites.herbertsmithfreehills.vuturvx.com/57/15337/compose-email/uk-court-of-appeal-rules-on-validity-of-trade-mark-in-light-of-prior-existing-localised-goodwill.asp>

Unjustified threats regime

The new [Intellectual Property \(Unjustified Threats\) Act 2017](#) came into force on 1 October 2017. It attempts to encourage more pre-action communication by detailing what an actionable threat is, whilst providing for "permitted communications" or communications for "permitted purposes" which cannot amount to an actionable threat. It harmonises the position across patent, trade mark and design rights (including

Survey evidence

Glaxo Wellcome UK Ltd and others v Sandoz Ltd and others [2017] EWHC 3196

The claimants sought permission to adduce survey evidence in relation to the colour purple for inhalers in support of its passing off claim against a competitor. The claimants' survey evidence had originally been gathered to demonstrate acquired distinctiveness in connection with claimants' trade mark application for the colour purple for inhalers and they now sought to re-utilise this evidence. Respondents to the survey had been shown a square patch of purple colour and asked certain questions.

The defendants resisted the introduction of the evidence, claiming that the surveys were based on an artificial premise as a patch of colour was used, rather than showing the colour in the context of the product. As the colour purple was used by the claimants on its packaging and the marketing materials for its inhalers, the court took the view that it was sensible for the claimants to test the distinctiveness of the purple colour using a square of colour. Despite the fact that the Court of Appeal (see *Interflora v Marks and Spencer [2012] EWCA Civ 1501*) has made it clear that there is a high hurdle in respect of permitting the use of survey evidence in trade mark and passing off cases in the UK, the claimants' application was allowed on this occasion. Whilst it was accepted by the court that significant costs would be occasioned by the introduction of this evidence, it was convinced that these costs would be proportionate as this was a high-value dispute. There is clearly still a role to play for survey evidence in certain UK trade mark and passing off cases.

providing for unitary patents and European patents under the proposed Unified Patent Court jurisdiction) and allows (as a permitted communication) pursuit of information on primary infringers from secondary parties where reasonable efforts have been made to find the primary infringer already.

For more detail, see our newsflash here: <http://hsfnotes.com/ip/2017/09/28/new-unjustified-threats-regime-in-force-from-1-october-2017>

Descriptive or informative use

Bayerische Motoren Werke Aktiengesellschaft v Technosport London Ltd and another [2017] EWCA Civ 779

The Court of Appeal held that that the defendant's use of BMW's trade marks was misleading, rather than informative and infringed BMW's trade marks and also constituted passing off. The defendant was an independent garage which carried out repairs of BMW cars, but it had no formal connection with BMW, other than as buyer and user of BMW manufactured spare parts. BMW's appeal concerned the allegedly infringing use of the BMW marks in conjunction with the defendant's name on work shirts, in relation to the defendant's Twitter handle "@TechnosportBMW", and on the defendant's vans which were branded "TECHNOSPORT - BMW". The Court held that each type of use created the impression that the garage's BMW repairing service was affiliated to BMW's network, or that there was a special



relationship between them, when this was not the case.

The Court emphasised the difference between genuinely informative use such as "my business provides a service which repairs

BMW's and/or uses genuine BMW spare parts" which is acceptable and misleading use such as "my repairing service is commercially connected with BMW", which is not.

A trading name which contains a third party's mark is likely to give the impression of a commercial connection between that trader and the brand owner. Whilst the defendant did not use the BMW logo (the BMW roundel) alongside the word "BMW", the use of a word mark in a trading name can still constitute infringement. The use of "Technosport BMW" goes beyond merely informing customers that BMW cars and parts were used by the defendant in its repair business.

This decision provides some useful clarity in terms for businesses offering spare parts and/or repairs - if using a third party's mark to describe the services on offer, you must make it clear that such services are not authorised or otherwise commercially connected with the third party company whose items you are offering to repair.

EUTM reforms

On 1 October 2017, a number of EUTM reforms became law.

The main changes are:

- i) abolition of the graphic representation requirement. The graphic representation requirement has been replaced with a requirement that signs be represented in any appropriate form of generally available technology, as long as the representation is clear, precise, self-contained, easily accessible, intelligible, durable and objective;
- ii) EU Certification Marks have been introduced which are a new type of trade mark at EU level, which will guarantee specific characteristics of certain goods/services; and
- iii) procedural amendments, including simplification of translation requirements, assignment of an EU trade mark can be sought as an alternative remedy to invalidation and priority claims must be filed at the same time as filing of an application and not afterwards. Applicants may rely on online sources recognised by the EUIPO for substantiation of earlier rights in oppositions and cancellation actions.

For more detail, see our newsflash here:

<http://sites.herbertsmithfreehills.vuturvx.com/57/14929/compose-email/eu-trade-mark-reforms-come-into-force---motion--hologram-and-multimedia-marks-can-now-be-registered.asp>



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