

July 2007

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Main news

Feature on parallel imports

Habanos a cigar

In common with other Member States, the UK incorporates a principle of Community-wide exhaustion of rights into trade marks law.

The principle means that a proprietor cannot rely on exclusive rights in a UK registered trade mark to prevent the importation or resale of goods bearing the mark where those goods have previously been marketed in the European Economic Area (EEA) by the proprietor or with his or her consent, for example, under licence.

The Court of Justice of the European Communities (ECJ) has held that such consent must be unequivocal and that the burden of proof generally lies with the parallel importer or reseller.

The issue of consent was central to the decision of the English Court of Appeal in *Mastercigars Direct v. Hunters & Frankau* [2007] EWCA Civ 176. Hunters & Frankau, the official UK exclusive distributor of Cuban cigars under marks including PUNCH and H. UPMANN, were seeking to stop Mastercigars from importing Cuban cigars under those marks into the UK.

Usually, the exhaustion of rights principle does not apply in UK law where goods are first marketed in a third country outside the EEA – here Cuba. However, in the present case, the Cuban proprietor of the marks (licensor to Hunters & Frankau) had clearly consented to the cigars in question being put on the market in the EEA. They had not only tolerated but also allowed and facilitated small commercial quantities of habanos to be bought by foreigners within Cuba for them to take out and resell abroad including within Europe.

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Repackaging of pharmaceuticals

A defence to exhaustion of trade mark rights exists where the condition of the goods has been interfered with after first marketing. The objective is to create a fair balance between “lawful” parallel importation and the rights of the trade mark proprietor. The defence is especially important in the field of pharmaceuticals where repackaging of parallel drugs is rife.

The scope of the defence has prompted several references in cases involving pharmaceuticals to the ECJ. The most recent ECJ ruling was handed down in *Dowelhurst 2* (Case C-348/04). Importantly, the ECJ confirmed that the rules it had laid down in *Bristol-Myers Squibb* apply equally to repackaging and relabelling or overstickering.

The starting point for the rules is that any repackaging or relabelling of a trade marked product interferes with the function of the mark to guarantee origin and can be stopped by the proprietor through an infringement action. However, that basic starting point will be overcome and infringement rights curtailed where the following criteria are met:

- (a) The parallel importer shows that the repackaging or relabelling of the pharmaceutical product is necessary to ensure acceptance in the Member State of import by regulators and end-users in the marketplace. The criterion of “necessity” does not apply to the extent repackaging, which is left to the discretion of the parallel importer provided the legitimate interests of the proprietor are protected.
- (b) The latter means, in particular, that the repackaging must be carried out in such a way as not to harm the original condition of the product or the reputation of the mark. The practices of de-branding (failing to affix the proprietor’s mark to new exterior packaging) and co-branding (applying the parallel importer’s own get-up and/or trade marks) can damage the reputation of the mark but this is a question of fact to be decided by the national court. The same is true of defective, untidy or poor quality repackaging.
- (c) The initial burden is on the parallel importer to furnish evidence that leads to the reasonable assumption that the repackaging cannot affect the condition of the product or harm the reputation of the mark. Thereafter, the onus passes to the proprietor to establish damage to the product or the reputation of the mark.

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- (d) The new packaging must clearly state who repackaged the product and the name of the manufacturer. Again, non- or inappropriate legends (e.g., printing the name of the parallel importer in large letters) may be damaging to the reputation of the mark and (b) and (c) apply.
- (e) The parallel importer must give prior notice of the repackaging to the proprietor and supply specimens at the proprietor's request. If no notice is given, the proprietor can sue the parallel importer for infringement and gain effective remedies.

The ECJ's ruling in *Dowelhurst 2* is generally accepted to be pro-proprietor. In particular, it reaffirms that repackaging cannot be carried out merely to secure commercial advantage to the parallel importer (e.g., establishing a brand identity). Nevertheless, the ruling is open-ended on the question of burden of proof and inconsistent decisions from national courts are likely on the evidence required on both sides regarding harm to the reputation of the mark.

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Other news

Is a big reputation enough?

Two recent decisions of the European Court of First Instance (CFI), plus a pending referral to the European Court of Justice, raise interesting issues on well-known marks and "dilution".

As readers will know, it is possible for the owner of a registered trade mark with a reputation to prevent the registration or use of the same or similar mark for dissimilar goods/services where the use *"without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark"*.

Case law has established that it is a prerequisite that relevant consumers must make a link or mental connection between the later mark and the earlier one - in other words, that the later mark must bring the earlier one to mind. However, it is not necessary for there to be confusion, i.e. people mistaking one for the other. In place of confusion, the owner of the well-known mark must instead be able to show unfair advantage/detriment.

In the recent UK Court of Appeal case relating to the INTEL mark, the Court referred to the ECJ the question of (in essence) whether, where a mark has a "huge reputation" and has not been used by anyone other than the owner, any use for dissimilar goods/services can be assumed to create the necessary "link" and also to cause unfair advantage/detriment. The Court offered its own opinion and suggested that no such assumption should be made.

The UK Court of Appeal's opinion is consistent with two recent CFI decisions in its view that something more is needed to meet the unfair advantage/detriment requirement. The first of these related to the well-known trade mark TDK for tapes, CDs, etc (Case T-477/04). In that case, a Danish company had applied to register TDK for clothing. TDK Corp had used the well-known TDK mark in sponsorship of sports events and various sports terms, thereby appearing on sports clothing. Although the well-known TDK mark had not been used as a brand name for sports clothing, the CFI still held that the use by the applicant of TDK on sports clothing (which fell within the scope of "clothing") would lead to a perception that the clothing was manufactured by or under licence from TDK Corp; and that this was enough to amount to evidence of a future risk of unfair advantage.

The second case involved the owner of the NASDAQ stock exchange mark opposing an Italian company's application for NASDAQ for sports equipment (Case T-47/06). The CFI again found a connection between the sphere of the earlier mark and the goods covered by the later application for the same mark, albeit a pretty tenuous one. The Court decided that stock market services were high-tech and that this enabled the transfer of that image (and therefore

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advantage) to sports equipment made from high-tech materials. It may be that the CFI was influenced by the minutes of a meeting of the applicant's shareholders which recorded that the intent was to create a link with the trade mark NASDAQ, so as to benefit from the prestige already enjoyed by that mark!

As ever, it is very difficult in this area to see how any clear-cut rules can be formulated since each case is different and, to use the words of the Court of Appeal, each requires an "overall global appreciation". For example, in the case of a very famous and distinctive made-up mark such as PEPSI or KODAK, perhaps unfair advantage/detriment could reasonably be assumed if anyone else uses the mark for any other goods - but where does one draw the line between marks of that type and others where the use by a third party may potentially be justifiable? The ECJ may shed some light in the INTEL case.

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"Frankie goes to the Registry"

The UK Intellectual Property Office recently upheld an opposition to a UK trade mark application for FRANKIE GOES TO HOLLYWOOD.

Frankie Goes to Hollywood enjoyed success in the early eighties before the lead singer, Holly Johnson, left the band in 1987 to pursue a solo career and the four remaining band members decided to stop performing. In 2003 the band members, with the exception of Holly Johnson, agreed to reform and played a series of successful reunion shows for the band beginning with the Prince's Trust concert in 2004, by which time Holly Johnson had been replaced by a new lead singer. On 2 April 2004 a company owned by Holly Johnson filed a UK trade mark application for FRANKIE GOES TO HOLLYWOOD in various classes. The four remaining members of the band opposed the application on grounds of bad faith and by virtue of the law of passing off.

The Hearing Officer upheld both grounds of the opposition and refused the trade mark application.

On the passing off question, what the Hearing Officer had to decide was whether the goodwill in the name belonged to Johnson alone or to the band. Even though it was argued that Johnson had devised the name and that, as lead singer of the band, Johnson was the best known, the Hearing Officer found that the legal arrangements in place (or lack of them to be more precise) meant that at the point at which Johnson left the band, the band's legal status was that of a partnership at will and therefore any assets, including any goodwill in the name, were owned by the partnership rather than any individual band member.

The Hearing Officer also held that, on the date on which the trade mark was applied for, there was residual goodwill attributable to the original band (as evidenced by the fact that the band was asked to reform for "Bands Reunited") but there was little or no goodwill that could be attributed to the reformed band. As a result, the goodwill in the name was an asset of the original partnership and no one member of the band had a continuing right to claim an exclusive use against the current reformed band by virtue of a trade mark application. Therefore, the Hearing Officer held that the opponents, as members of the original band, had enough goodwill and reputation to mean that the use of the name by Johnson would amount to a misrepresentation from which damage would follow.

On bad faith, the Hearing Officer decided that Johnson had acted in bad faith by applying to register the name without the knowledge or consent of the other original band members. The mark was applied for only a few months after the band reformed. By making the application, the Hearing Officer held that Johnson was attempting to monopolise the name so that he could rely on that monopoly to prevent the other band members from using the name.

The decision followed an earlier High Court decision involving the heavy metal band, Saxon, which involved a similar dispute between former members of the band. That case established the principle that goodwill generated by a partnership is a partnership asset. On dissolution of that partnership, which in the case of a partnership at will is automatic on the departure of any one of the partners, the partners may require that the goodwill is sold so that they can share in the value, as with any other asset, but are not each entitled to a share of the goodwill unless the partnership agreement provides otherwise. The decision in the SAXON case, and in particular the finding that the name of the band was owned by the partnership rather than any individual member of the band, led to a review of the Registry's practice whereby partnerships would henceforth be permitted by the Registry to be recorded as the registered proprietors of trade marks.

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The issue could have been avoided had the band members entered into a partnership agreement setting out the terms on which the name could be used on the termination of the partnership. The partnership agreement could, as is common in partnership agreements for solicitors' practices, expressly provide for the partnership to continue on the departure of one or more members and for the continuing partnership to be able to carry on using the original name and goodwill whilst limiting the right of the departing member(s) to do so.

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House of Donuts

HOUSE OF DONUTS is the latest in a growing body of cases showing how an earlier trade mark consisting only of a seemingly ordinary word can block a later, more elaborate mark, of which that word is only one of a number of elements. The obstacle can be removed if the earlier mark is proved to be descriptive, generic or otherwise non-distinctive of the relevant goods or services. However, this may not be straightforward, especially in a pan-European context, where a word that is common in one country is not necessarily as ordinary in others.

House of Donuts International applied to register two figurative Community trade marks for the words HOUSE OF DONUTS, in relation to (among other things) donuts. The marks were opposed by Panrico SA on the basis of five earlier registered Spanish word and figurative marks for the words DONUT or DONUTS, also covering those goods. The Opposition Division allowed the opposition on the ground that there was a likelihood of confusion. The decision was upheld by the Fourth Board of Appeal, and then by the Court of First Instance.

It was not disputed that the conflicting marks covered the same products. The dispute centred on whether the word "donuts" was generic, and so non-distinctive, in which case there might be no likelihood of confusion between the marks. Since the earlier marks were protected in Spain, the relevant members of the public were the average Spanish consumer.

The Court held that the evidence submitted by House of Donuts (i.e. the presence of the word "donuts" in two bilingual dictionaries, use of the word on the Internet, and a Spanish trading name registration certificate registration referring to "donuts") failed to establish that the word "donuts" was generic in Spain. It was also noted that the familiarity of the Spanish public with the English language was generally held to be low.

In these circumstances, it was held that the central and dominant element of both marks was the identical word "donuts", and that there was therefore a likelihood of confusion on the part of the average Spanish consumer.

This case (and others before it – e.g. WEST/WESTLIFE and LIFE/THOMSON LIFE) shows how traders can use the pan-European trade mark system to their advantage to acquire monopoly rights in ordinary words. Conversely, traders must be alive to the risks posed by such earlier marks: just because a word may be common in one country does not mean that it can be used freely throughout the EU. These are important issues to consider when devising trade mark portfolio and clearance search strategies respectively.

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Doctor's Orders

The consequences of a patient picking up a drug with a name similar to the name of his or her prescribed medication can be very serious. Not only will the patient not receive the correct drug but he or she could take a potentially harmful one. The question of who is the relevant consumer when looking at confusion between two similar drug names has recently been considered by the European courts.

The European Court of Justice rejected a Community trade mark application for the word TRAVATAN for "ophthalmic pharmaceutical preparations" as a result of an opposition by the owner of the earlier Italian mark for TRIVASTAN for a drug to cure disorders of the eye and ear. The ECJ held that, even though a drug may be prescription only and therefore the purchasing decision is directed by the healthcare professional, the end user's requirements and preferences must also be taken into account. Therefore, (with the possible exception of drugs used only in surgery and not available to the end user in pharmacies) the average consumer of prescription only medicines and over-the-counter medicines is the relevant healthcare professional and the patient/end user. Because of the similarities in the marks TRAVATAN and TRIVASTAN and in the goods covered, the ECJ said that the patient was likely to be confused and TRAVATAN was refused registration as a Community trade mark.

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A similar decision was reached by the Court of First Instance in an application for the mark RESPICUR for “therapeutic preparations for respiratory illnesses”. This was opposed by the owner of the RESPICORT for identical goods. These types of preparations are both over the counter medicines and prescription only medicines, so it is more obvious that the relevant consumer is the medical professional and the end user patient. Although the medical professional would not be confused, the end user would be, and the application was rejected.

The relevant public for surgical and medical instruments was also found to be the specialist professional and ordinary members of the public in the case of an application for the mark CURON. However, the opponent’s mark EURON was found to be dissimilar.

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Guitars Are Us

An application was filed for the following shape of a guitar:



The Community Trade Mark Office objected to the application on the grounds that the mark was not distinctive and provided the applicant with a number of links to websites which the applicant could not access or whose content had changed or might have changed since the date the application was examined. The CFI found OHIM had failed to give reasons supporting its decision and had violated the applicant’s right to be heard.

This is a helpful case for trade mark owners who should request OHIM to provide copies of any websites referred to in examination reports. A failure by OHIM to do so is a breach by OHIM of its duties.

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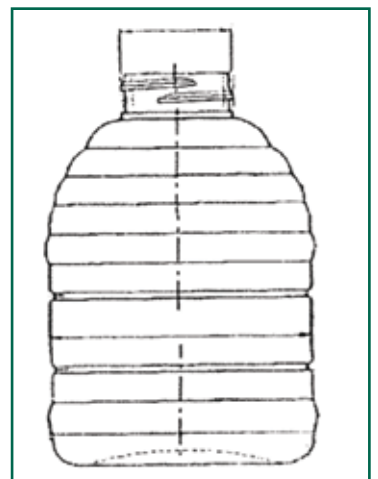
Mice and Honey

And finally, further cases showing the UK Intellectual Property Office’s rejection of applications on the grounds of descriptiveness.



Having failed to register the 3D shape and gold wrapping for WERTHERS ORIGINALS sweets in the EU, August Storck have also failed to register the following MOUSE LOGO for chocolate products in the UK on the grounds that the mark is not distinctive, the Examiner holding that chocolate mice are common in the confectionery field and the mark does not depart significantly from the norm.

The following container was also the subject of an application in the UK covering a range of food and drinks. The application was rejected and the evidence of use filed found not to demonstrate that anything had been done to highlight to the consumer the mark is a distinguishing sign and it therefore did not perform the distinguishing function of a trade mark.



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Tip of the month

Relative Grounds for Refusal

As reported in the last Brands Update, in October 2007 the UK Intellectual Property Office will cease examining trade mark applications on relative grounds.

Following the consultation procedure, although the right to bring opposition proceedings on relative grounds will be restricted to earlier trade mark or other rights owners, licensees will also be able to apply to declare registered trade marks invalid.

All UK and International (UK) trade mark proprietors will be notified of marks revealed by the UK Intellectual Property Office in their search. The fee for Community and International (EC) trade mark proprietors (who will not automatically receive notification and have to "opt in") will be £50 per trade mark and last for three years after the date the request is filed. The new service will be online only.

In the light of this, owners of Community trade marks should consider setting up watch services in respect of trade marks covering the UK.

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