

September 2004

Brands update



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Main news

Is trade mark use on the part of a defendant a pre-requisite to trade mark infringement? (Part 2)

Readers may recall that in our August 2003 edition we printed an article under the title "Is trade mark use on the part of a defendant a pre-requisite to trade mark infringement?"

The article highlighted the tension between the English Court of Appeal's decision in *Arsenal v. Reed* and the House of Lords decision, one day later, in *R v. Johnstone*. It was felt that a reference to the European Court of Justice ("ECJ") would be required before the issue could be advised on with certainty.

Recently, Mr Geoffrey Hobbs QC, sitting as a deputy judge of the English High Court, had to address this issue in *Electrocoin Automatics Ltd v. Coinworld Ltd and Others*. The case involved an allegation that the use of the symbols BAR, X and O on the reels of the defendant's fruit machines constituted infringement of the claimant's UK and Community registered trade marks for "BAR-X" and "OXO".

Mr Hobbs held that the use of the symbols in question did not constitute trade mark infringement. Whilst the symbols were being used in the course of trade, they were not being used for the purposes of 'distinguishing' the defendant's machines - merely "as integers of the games played" on the defendant's machines.

When addressing the supposed tension between the dicta in *Arsenal v. Reed* and that of the House of Lords in *R v. Johnstone*, Mr Hobbs declared that the thrust of the guidance provided by these judgments was "that the rights conferred by registration of a trade mark are not engaged (and therefore not infringed) by use of a sign 'other than for the purposes of distinguishing goods or services' ". On the facts before him, the symbols being used by the defendant on its machines were not being used for the purposes of 'distinguishing' the defendant's machines from other machines, but as "origin neutral integers of the games played on the [defendant's] machines".

Mr Hobb's interpretation of the guidance as provided by the *Arsenal v. Reed* and *R v. Johnstone* decisions results in quite a narrow view of what does (and does not) constitute trade mark infringement, when compared with what commentators thought was the test for infringement following the earlier decision of the English Court of Appeal in *Arsenal v. Reed*. However, it still remains the view of many commentators that, before this issue can be treated as resolved once-and-for-all, further guidance from the ECJ will be necessary. Keep reading Brands Update in the future for regular updates on this very important point of law for brand owners.

Other news

Muller's "twin-pot" is refused registration

Muller's application to register its "twin-pot" shaped packaging for dessert products has been refused by the UK Trade Marks Registry, on the basis that the packaging is devoid of any distinctive character and consists exclusively of the shape of packaging for goods which is necessary to achieve a technical result.

As many readers are no doubt aware, back in 1987 Muller was the first company to introduce a "twin-pot" format for its ready-to-eat desserts, comprising of yoghurt and a contrasting filling to be added to the yoghurt. Since 1990, competitors of Muller have also used twin-pot and multi-pot packaging for their yoghurt products. Apparently, by mid-1994 Muller had 73% market share by value in the trade in twin-pot yoghurts.

Muller argued that the shape of its twin-pot shaped packaging was arbitrary and not a functional means of adding filling to the yoghurt. The Registry disagreed and held that the essential features of the design of the packaging were functional and contributed to "the efficient achievement of a technical result".

The Registry also found that the packaging was prima facie devoid of any distinctive character and had not acquired distinctive character as a result of the use made of it, prior to the date the application for registration was filed. The packaging had not come to identify the products concerned as originating from a particular undertaking (i.e. Muller) and thus to distinguish those products from the products of other undertakings.

Whilst the survey evidence submitted by Muller (in support of its assertion that the packaging had come to be seen by the public as identifying Muller as the trade origin of products sold in that packaging) was on first glance statistically impressive, on a detailed examination it did not prove that the packaging had come to be seen "as a trade mark". The Registry concluded that the survey evidence showed product recognition by a significant proportion of the relevant public, but this was not sufficient to establish that the packaging had acquired distinctiveness as a trade mark. Mere "use" of packaging is not enough - the use must be "as a trade mark" (i.e. use in ways that are apt to distinguish the commercial origin of the goods, so that consumers can rely upon the packaging as distinguishing the goods of an undertaking). For example, had Muller advertised its dessert products by encouraging the public to "look for the one in the diagonally split pot", then such use might have enabled the packaging to be seen "as a trade mark".

The case highlights the genuine difficulty that brand owners face when seeking to persuade the UK Trade Marks Registry, or an English Court, that the shape of their goods or the packaging for their goods has acquired a distinctive character and thus can be registered as a trade mark. It is hoped that, in the near future, the European Court of Justice will provide brand owners and their advisers with further guidance on this issue, as a result of a reference from the English High Court in the *Dyson v. Registrar of Trade Marks* case. Watch this space for further updates.

To parallel or not to parallel - that is the question

Many brand owners often want to license exclusively different people in different territories to exploit their registered trade marks on goods sold in those territories.

For some years now it has been established law that if a brand owner consents to goods bearing a trade mark owned by the brand owner being placed on the market anywhere in the European Economic Area ("EEA"), the brand owner cannot prevent the subsequent sale of those goods elsewhere in the EEA (i.e. he cannot "divide up" the internal market within the EEA).

For example, if the goods are legitimately first sold in Germany, at prices cheaper than the prices under which those goods are sold in the UK, a parallel importer can purchase those goods in Germany, import them into the UK, and exploit the price differential.

However, what is the position if the goods are legitimately first sold in a country or territory located outside of the EEA? Can the brand owner prevent those goods being imported and sold anywhere in the EEA?

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A recent case before the High Court of England and Wales has helped to confirm the legal position. In that case, a quantity of genuine QUIKSILVER products were marketed and sold by the Defendant in its discount store in Cornwall, trading under the name "Trago Mills". The products were part of a larger consignment of QUIKSILVER products, which were manufactured by a Turkish company (called Palimar) in Istanbul. Palimar had been granted a licence from an Australian company that owns the rights worldwide in the QUIKSILVER brand, to manufacture and sell products under the QUIKSILVER trade marks, but that licence was restricted to certain territories in Asia, and did not extend to any part of the EEA.

The High Court held that, unless the Defendant could "unequivocally demonstrate" that the Australian company which owned the QUIKSILVER trade marks had renounced its right to oppose the placing of the goods on the market within the EEA, the Defendant would be held to have infringed the QUIKSILVER trade marks, by marketing and selling in the UK genuine QUIKSILVER products manufactured in Turkey by Palimar.

In reaching its decision, the Court followed the guidance previously handed down by the European Court of Justice in the case of *Davidoff v. A&G Imports*.

By way of clarification, the Court confirmed that it is not sufficient to infer that a trade mark owner must have consented to goods bearing its trade marks being sold in the EEA, from the mere fact that goods bearing its trade marks have been sold under a contract which did not contain any restrictions upon where those goods might ultimately be resold. Nor can implied consent be inferred from the mere silence of the trade mark owner. Normally, an express statement of consent will be required. An implied consent will be exceptional and only where the facts and circumstances "unequivocally demonstrate" that the trade mark owner has renounced its right to oppose the placing of goods onto the market within the EEA.

On the facts before it, the Court held that the Australian company that owns the rights worldwide in the QUIKSILVER brand had not consented to the goods in issue being placed onto the market within the EEA. As a consequence, the Defendant was held to have infringed the QUIKSILVER trade marks owned by the Australian company, even though the goods it had sold in its store in Cornwall were not counterfeit and were genuine QUIKSILVER products, licensed for sale by Palimar outside of the EEA.

"Suggestive" trade marks - the legal mystery continues (Part 8)

The First Board of Appeal of OHIM has allowed the word EASI-DIY through to registration as a Community trade mark, for goods including power tools, hammers, saws and chisels.

In the Board's view, the "idiosyncratic spelling of EASI-DIY" would enable consumers to distinguish the mark from other similar or identical goods that displayed the term EASY DIY for promotional purposes in the field of home improvement. The term EASI-DIY was not used in common parlance, had no inherent meaning and was an inverted term - a "coined expression". There was a "minor, although perceptible, difference between the sign in question and the non-distinctive and descriptive EASY DIY."

As a result, the mark held not to consist exclusively of a term that designates a characteristic of the goods in question. Although it was "highly suggestive" of goods which help make "do-it-yourself" easy, it did not "strictly and literally convey that meaning". Nor was the mark held to be devoid of any distinctive character. As a consequence, the mark was allowed to proceed to registration.

"Suggestive" trade marks - the legal mystery continues (Part 9)

In comparison with the EASI-DIY decision, the European Court has rejected an application to register the word mark BESTPARTNER as a Community trade mark, for services including internet services and insurance and financial services. The Court held that the two terms BEST and PARTNER are generic words which "simply denote the quality of services supplied by an undertaking to its clients", and thus, taken individually, are "descriptive of the relevant services" for which registration was sought.

Coupling the two terms together, without any modification or addition, did not render the sign, as a whole, capable of distinguishing the applicant's services from those of other undertakings. As a consequence, the mark was held to be devoid of the minimum degree of distinctive character required before the mark could be held to be registrable as a trade mark.

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QUICK WASH ACTION - still not distinctive

Readers of our March 2004 edition of Brands Update will recall that Proctor & Gamble failed before the UK Trade Marks Registry to register as a UK trade mark a sign incorporating the words QUICK WASH ACTION, together with the image of two washing tablets, for goods including detergents and fabric softeners.

The mark was rejected on the basis that it was held to be devoid of any distinctive character. The words used were held to be purely descriptive of goods that offer a quick wash and the visual depiction of the two washing tablets was merely a depiction of what the goods looked like, with there being "no origin or trade mark message".

Proctor & Gamble recently appealed this decision before Geoffrey Hobbs QC, sitting as an Appointed Person authorised to hear appeals of this nature. Unsurprisingly, Mr Hobbs upheld the original decision of the Hearing Officer. In Mr Hobbs' view, the sign was a "well-executed, artistically pleasing, origin neutral device" which lacked sufficient distinctive character to enable it to be registered as a trade mark. As a result, he dismissed the appeal.

Preliminary indication = nearly 70% of oppositions will fail

Readers of our May 2004 edition of Brands Update will be aware that, since 5 May 2004, the UK Trade Marks Registry has been empowered to give an early preliminary view as to the merits of any opposition proceedings where an opponent opposes a mark on the basis that it has an earlier identical or similar mark registered, as compared with the mark for which registration is sought, for identical or similar goods/services. The aim is to give the parties an early indication of the likely outcome of the opposition proceedings.

The UK Trade Marks Registry has announced that, in the first month since they have been empowered to give an early preliminary view as to the merits of such opposition proceedings, 69% of cases have resulted in a Hearing Officer indicating that, in his opinion, the opposition was likely to fail. It remains to be seen whether these preliminary opinions will result in the oppositions concerned being abandoned by those bringing them.

Diana gets signed off

The UK Trade Marks Registry has refused to register Princess Diana's signature for her first name (i.e. "Diana") for perfumes, cosmetics and toilet water, on the basis of another person's earlier registration for the word DIANA in normal typeface.

The Hearing Officer deciding the case held that, whilst the two marks were not identical, the marks and the goods were similar and this combination would create a likelihood of confusion. Both marks were "clearly the word or name Diana" and the "average consumer would view both as 'Diana' marks". Though the marks were visually different, they were conceptually and aurally identical. As a consequence, registration of the 'Diana' signature was likely to lead to confusion on the part of the public and thus the mark was refused registration.

Kentucky Fried Chicken - better than Kennedy Fried Chicken?

The owners of the KENTUCKY FRIED CHICKEN trade mark have successfully prevented an application to register the mark KENNEDY FRIED CHICKEN as a UK trade mark, for catering services relating to the preparation and provision of takeaway foods and beverages.

Richard Arnold QC, hearing an appeal against the first instance decision of the UK Trade Marks Registry, held that both marks had a "very similar word structure" and were "conceptually similar in that both marks use the words FRIED CHICKEN to denote services which encompass the provision of items of food and drink other than fried chicken".

In his view, "some consumers would be likely to misread KENNEDY FRIED CHICKEN as KENTUCKY FRIED CHICKEN" on a quick visual scan. There was also the potential for mishearing. In addition, he felt that people would abbreviate both marks to the letters 'KFC', thus increasing the potential for confusion.

In the light of these findings (and certain other findings, including the fact that the average consumer for quick service and take-away restaurants is an unsophisticated one and that no particular care is taken in the selection of such

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services), Mr Arnold concluded that there was a likelihood of confusion between the two marks. As a consequence, the opposition was successful.

Tip of the month

If, as a brand owner, you commission an independent third party to produce a logo for you to use as a trade mark in connection with your goods or services, it is vitally important that you obtain from the third party designer a full written assignment of all rights (including intellectual property rights) in that logo.

A recent case involving the DR MARTENS AIRWAIR combined logo trade mark highlights the problems that can arise where a written assignment is not entered into by the parties at the time of the creation of the logo, or very shortly thereafter.

In this case, the manufacturer of the famous DOC MARTENS footwear had commissioned an advertising agency to produce the combined logo for them. The logo was created by a freelance designer working for the agency, at a rate of £15 an hour. This designer subsequently purported to assign the copyright in the logo to an Australian footwear company.

The designer claimed that the manufacturer of the famous DOC MARTENS footwear was only entitled to a licence to reproduce the logo on point of sale materials in the UK. In all other respects, he asserted that the copyright in the logo belonged to him and he had been free to assign the same to the Australian company.

Whilst the Court held that the manufacturer of the famous DOC MARTENS footwear was the beneficial owner of the copyright in the logo and that the designer was not free to assign the copyright to the Australian company, the case shows the dangers of leaving matters to chance.

It is our strong recommendation that brand owners should always obtain a written assignment of all rights in the product of a commissioned designer's work before any design work is carried out. This should help to avoid the possibility of subsequent lengthy and expensive Court proceedings between the parties, to determine who owns the copyright in the design work.

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For further details on any of the topics raised in this update please contact one of the individuals named below or your usual contact at Taylor Wessing, who will be pleased to answer your queries.

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