

The Trademark Reporter®



The Law Journal of the International Trademark Association

Annual Review of EU Trademark Law

2016 in Review

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I. INTRODUCTION

A. About this Review

This fourth Annual Review of European Union (“EU”) cases continues to chart the development of trademark law under the two principal EU trademark law instruments, one being an EU Council regulation (formerly called the Community Trademark Regulation), now called the European Union Trademark Regulation, governing what is now called the EU trademark (previously “Community trademark”) and the other being an EU directive—the Trademark Directive—which regulates the national trademark laws of the EU Member States. A general introduction to these two instruments is contained in the introduction to [*Annual Review of EU Trademark Law: 2013 in Review*](#),¹ which also explains the particular role played by the EU General Court and the Court of Justice of the European Union (“CJEU”).

As in previous years, the Review is a mix of cases from the CJEU and EU General Court, on the one hand, and the national courts of the EU Member States, on the other. An interesting feature this year has been that the national courts of the newer EU Member States seem to have played a greater role than previously, particularly in the questions they have referred to the CJEU for guidance. The Review is therefore less dominated than previously by case law from Germany and Spain. Another feature of this year’s Review is the diversity of questions addressed by the national courts, particularly in areas where the national law of the EU Member State is not harmonized by EU law, or where the local practice varies dramatically between EU Member States, notwithstanding the harmonization.

B. Legislative Change and Terminology

The Council Regulation governing what is now called the “EU trademark”—namely Regulation (EC) No. 207/2009 of February 26, 2009—was amended by Regulation (EU) 2015/2424 of the European Parliament and of the Council, of December 16, 2015. The majority of the amendments came into force on March 23, 2016, and the remainder will enter into force on October 1, 2017.

This year’s Review concerns cases in which the rulings were handed down in 2016, but which typically began before the amendments to the EU Council Regulation came into force in early 2016. As a result, most of the cases in this Review deal with judgments based on the pre-2016 text of the Council Regulation. Therefore, it is these pre-2016 texts that are quoted at the beginning

1. Guy Heath, *Annual Review of EU Trademark Law: 2013 in Review*, 104 TMR 445 (2014).

of each Part of this Review under the heading “Legal Texts” in the introductory sections.

Some of the key terminology has changed as part of the amendments to the Council Regulation. For the purposes of reporting on 2016 cases in this Review, the new terminology has been adopted, even where this was not the language used by the court or trademark office concerned. This language has already become familiar to users of and commentators on the EU trademark system. Thus, instead of the “Community trademark” (or “CTM”), this Review refers to the “EU trademark” (or “EUTM”). Similarly, the term “European Union” will be used in place of “European Community.” The name of the “Office for Harmonization in the Internal Market” (“OHIM”) has also changed to become the European Union Intellectual Property Office (“EUIPO”), and so the new name is used throughout this review, except where “OHIM” is used in a case name. Finally, the Council Regulation itself is referred to as the “EUTM Regulation” or “EUTMR.”

Changes have also been made to the EU Directive that regulates the national trademark laws of the EU Member States. This instrument—Directive 2008/95/EC of October 22, 2009, referred to in this Review as “the TM Directive”—has been amended and recast as Directive (EU) 2015/2436 of December 16, 2015. It entered into force in early 2016. However, the new Directive does not repeal the (2008) TM Directive until January 15, 2019, and, in view of the fact that the 2016 cases covered by this Review are based on the 2008 version, it is this version that is quoted in the “Legal Texts.”

C. Organization of Material in this Review

This is a case law review, not an attempt to provide a general overview of EU trademark law. However, the material has been organized by subject matter (rather than by jurisdiction or date order) and, for each subject, a short introductory comment has been provided to put the cases into context.

In several of the introductory sections, the most relevant part of the underlying EU law has been set out in full. Where appropriate, both the relevant text of the EUTM Regulation and the relevant text of the TM Directive are included. Thus, any repetition of content is intentional—the TM Directive and EUTM Regulation naturally use similar words to deal with similar points.

Within each Part of the Review, cases are grouped broadly by reference to their specific subject matter. Each individual case note is introduced by an indication of whether the ruling is that of an EU central court or one of the national courts, and an indication of the status of the court concerned.

II. “SIGNS” CAPABLE OF REGISTRATION

A. Introductory Comments

Concerning the registrability of a mark under EU trademark law, before any questions as to distinctiveness or descriptiveness are considered, a more fundamental issue must be addressed: is the item that is being presented for registration something “of which a trademark may consist” within EU law norms? If not, valid registration is impossible. The provisions that have governed these underlying requirements are Articles 4 and 7 of the EUTM Regulation and Articles 2 and 3(1)(a) of the TM Directive (Articles 3 and 4(1)(a), respectively, in the recast version of the TM Directive).

Only three cases are covered in this Part of the Review and, uniquely, all three are from the English courts. One of these, the first, explores the problem of a mismatch between the visual representation of a trademark and the verbal description provided of it, in connection with a color mark. The second explores a creative attempt to solve issues with a color mark through an *ex post facto* portrayal of the mark as a “series” mark under United Kingdom (UK) trademark law and practice. The third case asks whether that very concept of “series” marks is compatible with EU trademark law requirements.

B. Legal Texts

(Note: the quoted texts are pre-2016: See Introduction)

Article 4 of the EUTM Regulation

[An EUTM] may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.

Article 7(1)(a) of the EUTM Regulation

1. The following shall not be registered:
 - (a) signs which do not conform to the requirements of Article 4;
 - (. . .)

Article 2 of the TM Directive

A trademark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.

Article 3(1)(a) of the TM Directive

1. The following shall not be registered or, if registered, shall be liable to be declared invalid:

(a) signs which cannot constitute a trademark; (. . .)

[No definition of the term “sign” is provided in the EUTM Regulation or the TM Directive.]

C. Cases

1. United Kingdom—English High Court— What is the effect of a mismatch between the verbal and the visual identification of a trademark?

The English High Court delivered its judgment in *Glaxo Wellcome UK Limited (t/a Allen & Hanburys) and Glaxo Group Limited v. Sandoz Limited*,² on June 28, 2016. The ruling concerned the validity of the EUTM of which details are given below.

The trademark had been registered by Glaxo in Class 10 in respect of inhalers, with the following visual representation and verbal description.



“The trademark consists of the color dark purple (Pantone code 2587C) applied to a significant proportion of an inhaler, and the color light purple (Pantone code 2567C) applied to the remainder of the inhaler.”

It was registered with INID code number 558, which designates it as a color mark, and was, accordingly, taken to be a color mark for the purposes of the case.

The invalidity claim arose in the context of infringement proceedings brought by Glaxo against its competitor, Sandoz. The claim, that the EUTM was neither a sign nor capable of being represented graphically, was based on Article 4 of the EUTM Regulation, as interpreted by the case law of the CJEU. While Article 4 provides that an EU trademark “may consist of any signs capable of being represented graphically,” the case law of the CJEU has made it clear that a trademark (to be registrable) must be clear, precise, and uniform and must consist of a single sign. After reviewing the relevant CJEU authorities, the High Court in the

2. *Glaxo Wellcome UK Limited (t/a Allen & Hanburys) and Glaxo Group Limited v. Sandoz Limited*, [2016] EWHC 1537 (Ch) (June 28, 2016).

present case held that a color mark cannot validly consist of variants around a single sign.³

The key question in the present case was: what is the sign that has been claimed by the registration? Sandoz argued that, as the registration was not for a figurative mark, guidance as to the identity of the mark must be derived exclusively from the verbal description. According to Sandoz, this description claimed not one sign, but an almost unlimited number of signs, each of which:

had to consist of dark and light purple sections, of the correct Pantone shades, and dark purple must applied to a significant proportion of the inhaler. Otherwise, there was complete freedom. The sign could be overwhelmingly dark or light purple or anything in between. The light purple section did not even have to be a significant part of the inhaler. Furthermore, there could be any kind of pattern created by shapes of dark purple on a light purple background (or vice versa)⁴

Thus, according to Sandoz, the EUTM could not be considered to consist of a *single* sign capable of being represented graphically, and so did not meet the criteria for registrability as an EU trademark.

This was contested by Glaxo, which argued that, while the trademark was not a figurative mark, the sign being claimed should be regarded as an abstraction of the visual representation. As such, it was a single sign that had been validly registered. While Sandoz suggested that the correct interpretation of a trademark is always to be found in the verbal description, Glaxo argued that the visual representation should be regarded as the primary indication of the mark claimed, with the words of the description serving to qualify what is shown by the visual representation.

Acknowledging the two parties' disagreement on the relative importance of the visual representation and the verbal description in the interpretation of a trademark, the English High Court found that "where there is no strict congruence between the visual representation and the description . . . both must be considered without any formal precedence, one over the other. The weight to be given to each will depend on the circumstances."⁵ With this in mind, the Court sought to answer the question of "whether the freedom of variation allowed by the description is qualified and narrowed to a single sign by the visual representation."⁶ The Court considered that, as the EUTM was a color mark, it was particularly important

3. *Libertel Groep BV v. Benelux Merkenbureau*, Case C-104/01 ¶ 21-25, [2003] ECR I-3793 (CJEU, May 6, 2003) (EU:C:2003:244).

4. *Glaxo Wellcome UK Limited (t/a Allen & Hanburys) and Glaxo Group Limited v. Sandoz Limited*, [2016] EWHC 1537 (Ch) ¶ 7 (June 28, 2016).

5. *Id.* ¶ 62.

6. *Id.* ¶ 59.

that the mark should have the qualities of “clarity, precision and uniformity”⁷ needed to satisfy the requirements of Article 4 of the EUTM Regulation.

In considering the EUTM’s visual representation, the English High Court compared the EUTM to color marks featured in previous cases, notably *Heidelberger Bauchemie GmbH* (Case C-49/02),⁸ in which the sign was represented as a half yellow, half blue rectangle, and *Société des Produits Nestlé SA v. Cadbury UK Ltd* ([2013] EWCA Civ 1174), in which the sign was represented as a rectangular purple block.⁹ As the visual representations of the marks in these cases offered very little indication of the precise or uniform mark being claimed, a focus was necessarily placed on their written descriptions. In contrast, in the present case, the visual representation (a photograph of the inhaler) did give considerable guidance as to the mark claimed. There were, however, difficulties with it: a photograph had been used and, according to the High Court, while use of a photograph was “appropriate for a three-dimensional mark claiming a particular type of packaging, [it was] less so for a color mark which may not be confined to any specific shape of goods.”¹⁰

The English High Court then turned to the EUTM’s verbal description, and found that it set the reader a puzzle with three potential solutions:

The first is a mark with the outline of the visual representation (spikes and all) and the precise juxtaposition of light and dark purple zones there shown. The second is [Sandoz’s suggestion of] freedom of many alternative marks according to the words of the description. The third is [Glaxo’s] solution of a pattern abstracted from the visual representation.¹¹

The first solution would be a single sign. However, neither of the parties advocated this. The second solution, as noted above, would result in invalidity. With regard to the third solution, the problem was that the abstraction put forward by Glaxo (see below) was, the Court considered, not the only realistic abstraction that would be suggested by the combination of the description and visual representation: it could easily be more detailed or, conversely, more abstract. This, the Court felt, was evident from a parallel registrability case before the EUIPO, in which Glaxo had itself

7. *Id.* ¶ 63.

8. *Heidelberger Bauchemie GmbH*, Case C-49/02, [2004] ECR I-06129 (CJEU, June 14, 2004) (EU:C:2004:384).

9. *Société des Produits Nestlé SA v. Cadbury UK Ltd*, [2013] EWCA Civ 1174 (Oct. 4, 2013).

10. *Glaxo Wellcome UK Limited (t/a Allen & Hanburys) and Glaxo Group Limited v. Sandoz Limited*, [2016] EWHC 1537 (Ch) ¶ 65.

11. *Id.* ¶ 67.

proposed an alternative abstraction with a rectangular shape (see below). The two abstractions were evidently different shapes, and had different proportions of light and dark purple.



The abstraction submitted to the High Court by Glaxo



The abstraction submitted to the EUIPO

Indeed, it was clear to the English High Court that the color mark was incapable of being adapted without change to any overall shape, in contrast to, say, stripes of equal widths that could be adapted to overall shape without change. This inability to adapt was particularly problematic, as the mark needed to be applied to an inhaler.

The English High Court therefore found that the trademark did not satisfy Article 4 of the EUTM Regulation, as it was not sufficiently precise, uniform, clear, or unambiguous. It lacked precision on two levels: first, the description created a puzzle; and second, the second and third solutions to that puzzle left the reader uncertain about the form that the trademark took. The EUTM was therefore declared to be invalid.

As the case raised points of principle, the English High Court did consider referring it to the CJEU. It decided that a reference was not appropriate in this case, with one hesitation. The hesitation stemmed from the fact that the English High Court was shown a copy of an Order of the EU General Court dated November 18, 2015, which permitted an intervention by Marques, a trademark association, in the ongoing case *Red Bull GmbH v. EUIPO—Optimum Mark* (Case T-102/15).¹² The Order indicated that the General Court believes there to be an unresolved issue in the case regarding the interaction between the description and visual representation of a mark, since the Order notes,

... it must be held that the case raises questions of principle regarding the graphic representation of a mark consisting of colors *per se* in the application for registration and in the registration, at least so far as concerns the interaction between

12. Order of the General Court in *Red Bull GmbH v. EUIPO—Optimum Mark*, Case T-102/15, (GC, Nov. 18, 2015).

the description of such a mark and that graphic representation in order to satisfy the requirements of Article 4 of [the EUTM Regulation].¹³

In the present case, however, the English High Court held that the law as stated by the CJEU and explained by the Court of Appeal of England and Wales in *Cadbury* (cited above)¹⁴ made it sufficiently clear what approach it was required to take to interpret what had been claimed by the EUTM before it in the present case.

2. United Kingdom—English High Court—Can a registration be considered to cover a series of marks, even when the mark was not registered as such at the outset?

On April 6, 2016, the High Court of England and Wales delivered its judgment in *Cadbury UK Limited v. The Comptroller General of Patents, Designs and Trademarks*.¹⁵ The case was inspired by an earlier ruling by the Court of Appeal of England and Wales in *Société des Produits Nestlé S.A v. Cadbury UK Ltd.*¹⁶ In the earlier case, the Court of Appeal had upheld an opposition by Nestlé against Cadbury’s UK trademark application for Trademark No. 2376879 (“879”), corresponding to the color purple, since the mark as identified could not be considered a sign that could constitute a trademark under Article 3(1)(a) of the TM Directive because (following the CJEU’s interpretation of Article 2 of the EUTM Directive in *Libertel*, Case C-104/01¹⁷) it did not consist of a single sign capable of graphical representation. (For a comparable case in this Review, see *Glaxo Wellcome UK Limited (t/a Allen & Hanburys) and Glaxo Group Limited v. Sandoz Limited*, discussed above.)

Cadbury recognized that the Court of Appeal’s judgment could equally apply to another of its color marks: UK registered Trademark No. 2020876A (“876”), which had a description almost identical to that of registration ’879. Seeking to pre-empt an invalidity attack, Cadbury applied to the UKIPO to treat mark ’876

13. Order of the General Court in *Red Bull GmbH v. EUIPO—Optimum Mark*, Case T-102/15 ¶ 32 (Nov. 18, 2015) cited in *Glaxo Wellcome UK Limited (t/a Allen & Hanburys) and Glaxo Group Limited v. Sandoz Limited*, [2016] EWHC 1537 (Ch) ¶ 73.

14. *Société des Produits Nestlé SA v. Cadbury UK Ltd*, [2013] EWCA Civ 1174 (Oct. 4, 2013).

15. *Cadbury UK Limited v. The Comptroller General of Patents, Designs and Trademarks*, intervener before the High Court being *Société des Produits Nestlé SA*, [2016] EWHC 796 (Ch) (Apr. 6, 2016).

16. *Société Des Produits Nestlé S.A v. Cadbury UK Ltd*, [2013] EWCA Civ 1174 (Oct. 4, 2013).

17. *Libertel Groep BV v. Benelux-Merkenbureau*, Case C-104/01, [2003] ECR I-03793 (May 6, 2003).

as a so-called “series” mark, and to allow it to delete one of the two marks that it claimed formed the series. When this request was denied, it appealed to the English High Court, which resulted in the ruling under discussion here. Cadbury’s competitor, Nestlé, successfully applied to intervene on the appeal.

In the United Kingdom, the meaning of a “series” of trademarks and the provisions relating to the registration of a “series” mark are set out in Section 41 of the United Kingdom’s Trademarks Act 1994 and related Rules. The relevant parts of Section 41, which deals with supplementary provisions for the registration of trademarks, provides:

- (1) Provision may be made by rules as to—
 - (a) The division of an application for the registration of a trademark into several applications;
 - (b) The merging of separate applications or registrations;
 - (c) The registration of a series of trademarks.
- (2) A series of trademarks means a number of trademarks which resemble each other as to their material particulars and differ only as to matters of a non-distinctive character not substantially affecting the identity of the trademark.
- (3) Rules under this section may include provision as to —
 - (a) The circumstances in which, and conditions subject to which, division, merger or registration of a series is permitted, and
 - (b) The purposes for which an application to which the rules apply is to be treated as a single application and those for which it is to be treated as a number of separate applications.

Cadbury’s request to delete a mark from the series that it alleged to exist was made pursuant to rule 28(5) of the United Kingdom’s Trademark Rules 2008, which provides:

- (5) At any time the applicant for registration of a series of trademarks or the proprietor of a registered series of trademarks may request the deletion of a mark in that series and, following such a request, the registrar shall delete the mark accordingly.

Cadbury’s registered Trademark No. 2020876A (“876”), the subject of the appeal, appears on the register as:



with the following description:

The mark consists of the color purple as shown on the form of application, applied to the whole visible surface, or being the predominant color applied to the whole visible surface, of the packaging of the goods.

The mark consists of the color purple (Pantone 2685C) as shown on the form of application, applied to the whole visible surface, or being the predominant color applied to the whole visible surface, of the packaging of the goods.¹⁸

(It is unclear why the description of the mark is repetitive, and no explanation for the repetition was given during the proceedings. The mark was effectively treated as though only one of the two overlapping descriptions was present.)

The problem with the registration, which Cadbury was confronting in its application to the English High Court, was that the description of the mark included the expression that had prevented the registration of trademark '879: "purple, being the predominant color applied to the whole visible surface of the packaging." The Court of Appeal had held that this description to invalidate the registration '879 under the requirements of Article 3(1)(a) of the TM Directive, as it impermissibly allowed the mark to encompass multiple signs that were not graphically represented:

The use of the word "predominant" opens the door to a multitude of different visual forms as a result of its implied reference to other colors and other visual material not displayed or described in the application and over which the color purple may predominate. It is an application for the registration of a shade of color "plus" another material, not just of an unchanging application of a single color . . . [Accepting the application would be to] register multiple signs with different permutations, presentations and appearances, which are neither graphically represented nor described with any certainty or precision, or at all.¹⁹

Thus, if the same wording remained in its '876 registration, Cadbury faced the prospect of the registration almost certainly being declared invalid if the validity of its registration was challenged in later proceedings.

Cadbury's attempt to characterize its '876 registration as a series was an ingenious attempt at a solution. While UK trademark law prohibits the alteration of a trademark's description after an application for its registration has been submitted, it does allow the

18. *Cadbury UK Limited v. The Comptroller General of Patents, Designs and Trademarks*, intervenor before the High Court being *Société des Produits Nestlé SA*, [2016] EWHC 796 (Ch) ¶ 1.

19. *Société Des Produits Nestlé S.A v. Cadbury UK Ltd*, [2013] EWCA Civ 1174 ¶ 50-52 (Oct. 4, 2013).

deletion of a mark that forms one of a series of marks. So, if the description of the trademark could be divided to form a series of two related marks, one could be sacrificed and the other saved.

Cadbury therefore proposed that mark '876 was, properly understood, a series: one being "the color purple . . . applied to the whole visible surface" and the other being purple as "the predominant color applied to the whole visible surface." It applied to delete the second of these from the description of trademark '876, pursuant to Rule 28(5) of the United Kingdom's Trademark Rules 2008, and so to limit the trademark to a single sign consisting of the color purple applied to the whole visible surface of the goods' packaging.

Taking its lead from the English Court of Appeal's judgment in *Société Des Produits Nestlé S.A v. Cadbury UK*,²⁰ however, the English High Court found that the description of the '876 registration indicated neither two different marks nor a series of marks, but "an unknown number of signs including not just the color purple but others in which the color purple predominates."²¹

Moreover, it held the single common characteristic of "purple [as] the predominant color" to be insufficient to satisfy the criteria in Section 41 for series trademarks, noting: "purple may, in any particular sign, be the predominant color in terms of area, but there might be yellow or green spots as well and it might be that these contribute to the sign's distinctive character."²² As such, it held that the description in the '876 mark covered a spectrum of marks that could not be part of any series because they were too disparate.

The English High Court also rejected Cadbury's argument that the deletion provisions of Rule 28 of the UK Trademark Rules could be used even if the marks were not part of a series. Instead, it accepted Nestlé's submission that the statutory system includes safeguards to prevent the inappropriate registration of series marks, such as the flawed '876 mark. Cadbury's arguments did not provide a sufficiently good reason for these safeguards to be overlooked in this case. Among these, Cadbury's argument that it did not initially realize the mark was a series carried no weight: it should have sought to register the mark as a series at the outset.

The English High Court therefore held that the '876 mark was not a series of marks, and its description was neither of two marks, nor of a series of marks. Rather it contained "no identifiable members of any series which might be the subject of a request for

20. *Société Des Produits Nestlé S.A v. Cadbury UK Ltd*, [2013] EWCA Civ 1174 ¶ 51-55, (Oct. 4, 2013).

21. *Cadbury UK Limited v. The Comptroller General of Patents, Designs and Trademarks*, intervenor before the High Court being *Société des Produits Nestlé SA*, [2016] EWHC 796 (Ch) ¶ 30.

22. *Id.* ¶ 32.

deletion.”²³ As such, deletion was impossible and Cadbury’s appeal was dismissed.

3. United Kingdom—English Court of Appeal— Validity—Is the registration of a “series” mark under UK law compatible with EU law?

In *Comic Enterprises Ltd v. Twentieth Century Fox Films*, [2016] EWCA Civ 41,²⁴ more details of which are given in Part IX (Infringement) below, the Court of Appeal of England and Wales dismissed Fox’s appeal against a ruling that it had infringed the “series” of marks registered by Comic Enterprises in the United Kingdom.

The series registration in question looks like this on the UK register:



During the appeal, Fox was granted permission to amend its defense and counterclaim to introduce a new argument. That argument, that the registration of the series was invalid due to the incompatibility of Section 41 of the United Kingdom’s Trademarks Act with EU trademark law, was heard at a subsequent hearing at the English Court of Appeal.²⁵

Section 41 of the United Kingdom’s 1994 Trademarks Act (quoted above) allows for the registration of a series of trademarks.

Fox argued that this section was incompatible with EU law’s requirement that a trademark must be a sign capable of being graphically represented within the meaning of Articles 2 and 3 (1)(a) of the TM Directive.

Much of the debate turned on how the registration of a series should be characterized. Fox contended that the registration of a series of trademarks is actually a registration of a single trademark consisting of a number of signs. In registering the trademark, it would be necessary to identify a single point of comparison between all the signs in the series and the mark of any third party: an inherently uncertain exercise, and thus one that would be contrary

23. *Id.* ¶ 34.

24. *Comic Enterprises Ltd v. Twentieth Century Fox Film Corporation* [2016] EWCA Civ 41 (Feb. 8, 2016).

25. *Comic Enterprises Ltd v. Twentieth Century Fox Film Corporation* [2016] EWCA Civ 455 (May 25, 2016).

to the established principles of EU law. Fox also contended that the UK Intellectual Property Office (UKIPO)'s characterization of marks registered as a series (see below) made clear that the registration of a series would necessarily lead to the trademarks being presented misleadingly on the register, contrary to EU law.

The importance of the issue led the Court of Appeal to ask the UKIPO (the United Kingdom's trademark registration authority) for its opinion. The UKIPO's Comptroller stated that a series of trademarks is a "bundle of individual trademarks, each of which must comply with the requirements for protection set out in the TM Directive if it is to be registered, and each of which is, if registered, individually entitled to the protection afforded to every trademark under EU law."²⁶ He maintained that Section 41 of the United Kingdom's Trademarks Act 1994 is an administrative provision for the registration and renewal of a series of trademarks, and so falls outside of the scope of the TM Directive.

CEL, the trademark owner, adopted the Comptroller's submissions, but also added a number of fallback arguments in case Fox's alternative characterization of a "series" mark was found to be valid.

The English Court of Appeal first addressed the question of whether an application for a series of trademarks creates a single registered trademark made up of a number of signs, or a series of different, individually registered trademarks under a single registration number. It found that the structure of the United Kingdom's Trademarks Act 1994 and the terms of Section 41 supported the latter contention. Among the reasons put forward for this, the court noted that Section 41 was clearly a supplementary provision intended to facilitate the effective operation of the application and registration systems, rather than to create trademark rights or a new, *sui generis* type of trademark.

The court further found that, contrary to Fox's claims, this interpretation would be workable in relation to the application of the non-use provisions of Section 46 of the United Kingdom's Trademarks Act 1994. As each trademark in the series was different, the non-use provisions could be applied to each one individually. If some marks in the series did not satisfy the Section 46 test, then the registration of those particular marks in the series could be revoked. The rest could be left in place.

It was also clear that, practically, a series of trademarks has been considered to be made up of a number of different marks. Under the Madrid Protocol, if an application for an International Registration is based on a UK trademark, the UKIPO must certify that the mark being applied for is the same as a trademark registered or applied for in the United Kingdom. This certification

26. *Id.* ¶ 7.

can, and has been, based on a single trademark registered as part of a series under the 1994 Act. Had the UKIPO been required to consider the series of trademarks as a single entity, to find a point of comparison, it would have been unable to certify that the relevant trademarks were the same.

The English Court of Appeal looked to examples set by previous applications for the registration of series of trademarks, especially cases in which the applications had been rejected, and found that they had generally been consistent with its own interpretation. The exception was the decision in an appeal from the UKIPO's decision in *Sony Ericsson Mobile Communications AB's Trademark Applications* (O-138-06), where it was held that "a series consists of a number of different manifestations of what is in essence the same trademark."²⁷ That view had been later taken up by the English High Court in *Thomas Pink Ltd v. Victoria's Secret UK Ltd*.²⁸ The Court of Appeal, however, found this approach problematic, not least because it requires the identification of a supervenient mark with which all the marks in the series are identical: "a task which is fraught with difficulty and is hard to reconcile with the requirement imposed by EU law that the graphical representation of the sign must be self-contained, clear, precise and readily accessible and intelligible."²⁹ The Court of Appeal therefore determined that these exceptional rulings had been in error.

The Court of Appeal then considered Fox's second submission that Section 41, so understood, was contrary to EU law, as it would lead to the marks being misleadingly represented on the register. Drawing on Case C-234/06 P, *il Ponte Finanziaria SpA v. OHIM*,³⁰ Fox claimed that "registering a series of trademarks identifies, highlights and stresses the marks' existence as a family and emphasizes their common elements to a greater extent"³¹ than if they were just registered as individual marks. As such, this would mislead consumers and courts. The Court of Appeal dismissed this argument. It noted that the ruling of the CJEU referred to by Fox had been this: that in assessing the likelihood of confusion, the fact that an earlier mark is part of a family of similar marks is relevant only when the other members of the family are used sufficiently for a consumer to detect their common element. The English Court of

27. *Sony Ericsson Mobile Communications AB's Trademark Applications* (O/138/06) ¶ 19 (UKIPO, May 25, 2006).

28. *Thomas Pink Ltd v. Victoria's Secret UK Ltd*, [2014] EWHC 2631 ¶ 104-106 (Ch) (EWCA, Jul. 31, 2014).

29. *Comic Enterprises Ltd v. Twentieth Century Fox Film Corporation*, [2016] EWCA Civ 455 ¶ 64.

30. *Il Ponte Finanziaria SpA v. OHIM*, Case C-234/06 P ¶ 62 et seq., [2007] ECR I-07333 (CJEU, Sept. 13, 2007) (EU:C:2007514).

31. *Comic Enterprises Ltd v. Twentieth Century Fox Film Corporation*, [2016] EWCA Civ 455 ¶ 69.

Appeal held that this applied no more to marks registered in a “series” under Section 41 of the United Kingdom’s 1994 Act than to similar marks registered separately. The Court was also unpersuaded by the suggestion that the registration of trademarks as a series would cause consumers to be misled in future.

In light of its findings, the Court of Appeal rejected Fox’s suggestion that the question of Section 41’s compatibility with the TM Directive be referred to the CJEU. It noted that Section 41 and the rules made under it are concerned with the registering, and the form of registration, of similar trademarks, and so are matters over which EU Member States have discretion, rather than necessarily needing to be harmonized by the TM Directive. The Court found the register of trademarks maintained under the United Kingdom’s 1994 Act, and the scheme introduced for the registration of trademarks under the Act, to be entirely compatible with the requirements of the TM Directive. As such, the Court of Appeal ruled that Section 41 is compatible with the TM Directive, and that the registration in question was valid.

III. ABSOLUTE GROUNDS FOR REFUSAL OF REGISTRATION, AND FOR CANCELLATION, AND POST-REGISTRATION GENERICNESS

A. Introductory Comments

This Part III considers cases involving the refusal of trademark registration based on the inherent characteristics of the mark. Grounds for refusal of registration on this basis (which could also support a later claim to invalidation of a mark registered in violation of them) are among those known to EU law as “absolute grounds.” This Part III also covers the grounds for revocation of a trademark registration on the basis that the mark should have been refused registration on absolute grounds.

The absolute grounds for refusal relating to EU trademarks are found in Article 7(1) of the EUTM Regulation. The absolute grounds for the refusal of trademark applications that *must* be applied by the national trademark authorities of EU Member States are set out in Article 3(1) of the TM Directive (Article 4(1) of the recast version). (Article 3(2) then goes on to make provision for additional absolute grounds of refusal, which EU Member States are free to build into their laws if they wish. In the recast edition of the TM Directive, these provisions are dealt with by Articles 4(2) and 4(3) of the text.)

The first four absolute grounds for refusal of registration are (putting it loosely): that the mark is not a sign capable of protection (under Article 4 of the EUTM Regulation and Article 2 of the TM Directive—Article 3 of the recast TM Directive); that the mark is not distinctive; that the mark is descriptive; and that the mark is

generic. The grounds for refusal relating to descriptiveness, lack of distinctiveness, and even genericness can, in principle, be overcome by evidence that the trademark has acquired distinctiveness through the use made of it prior to the application date.

Article 7(1) of the EUTM Regulation and Article 3(1) of the TM Directive go on to provide certain specific absolute grounds for refusal relating to shape marks, marks that would be contrary to public policy, marks that would be deceptive, marks that raise issues under Article 6 of the Paris Convention, and (in the case of the EUTM Regulation) marks that contain certain geographical indications or designations of origin protected in the EU.

The 2016 cases selected for comment in this Part deal primarily with descriptiveness and distinctiveness issues. The cases covered first are from the CJEU and the EU General Court, with decisions of the national courts of EU Member States following toward the end.

There has, as ever, been such a profusion of cases in the EU General Court that only a selection is offered, designed to illustrate the issues across a range of different types of mark. The inclusion of national court cases indicates how the approach can vary between the different forums even though the legal framework is substantively the same, and even in some cases where the specific trademarks under scrutiny are the same.

This Part also deals with one case—located at the end—in which grounds for removal of the mark from the register arose post-registration and relate to the mark having become generic by reason of the trademark owner's inactivity.

The legal texts provided in Section B below include only the most relevant of the absolute grounds for refusal.

B. Legal Texts

(Note: the quoted texts are pre-2016. See Introduction)

Article 4 of the EUTM Regulation

An EU trademark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.

Article 7 of the EUTM Regulation

Absolute grounds for refusal

1. The following shall not be registered:
 - (a) signs which do not conform to the requirements of Article 4;

- (b) trademarks which are devoid of any distinctive character;
- (c) trademarks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;
- (d) trademarks which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade;
- (e) signs which consist exclusively of:
 - (i) the shape which results from the nature of the goods themselves;
 - (ii) the shape of goods which is necessary to obtain a technical result;
 - (iii) the shape which gives substantial value to the goods;

[Note: Paragraphs (f) to (k) omitted.]

2. Paragraph 1 shall apply notwithstanding that the grounds of non-registrability obtain in only part of the [Union].
3. Paragraph 1(b), (c) and (d) shall not apply if the trademark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it.

Article 2 of the TM Directive

A trademark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.

Article 3 of the TM Directive

1. The following shall not be registered or, if registered, shall be liable to be declared invalid:
 - (a) signs which cannot constitute a trademark;
 - (b) trademarks which are devoid of any distinctive character;
 - (c) trademarks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production of the

goods or of rendering of the service, or other characteristics of the goods or services;

- (d) trademarks which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practises of the trade;
- (e) signs which consist exclusively of:
 - (i) the shape which results from the nature of the goods themselves;
 - (ii) the shape of goods which is necessary to obtain a technical result;
 - (iii) the shape which gives substantial value to the goods;

[Note: Paragraphs (f) to (h) omitted.]

(. . .)

3. A trademark shall not be refused registration or be declared invalid in accordance with paragraph 1(b), (c) or (d) if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character. Any Member State may in addition provide that this provision shall also apply where the distinctive character was acquired after the date of application for registration or after the date of registration.

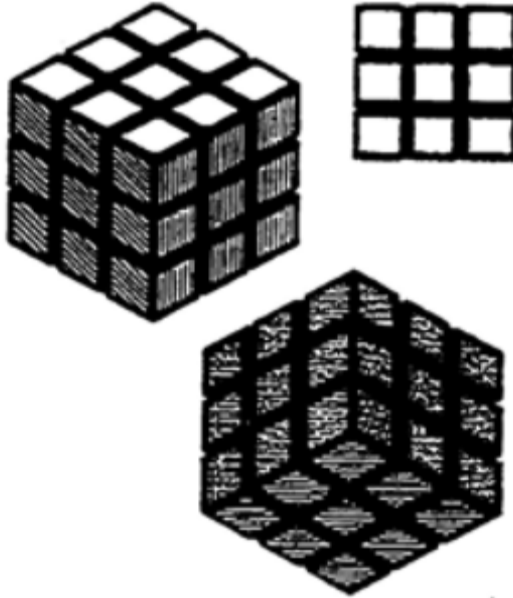
(. . .)

C. Cases

1. EU—CJEU—Shape marks—May the EUIPO take into account information about a product shape mark that is not manifest from the graphic representative of the mark and any description of the mark?

Case C-30/15P, *Simba Toys GmbH & Co. KG v. EUIPO*,³² concerns an application to cancel the registration of an EUTM comprising the following shape, registered in Class 28 for “three-dimensional puzzles”:

32. *Simba Toys GmbH & Co. KG v. European Union Intellectual Property Office, intervener before the CJEU being Seven Towns Ltd*, Case C-30/15P, [2016] ECR I-___ (CJEU, Nov. 10, 2016) (EU:C:2016:849).



The mark was applied for on April 1, 1996, and registered three years later. The present cancellation action was commenced in 2008. Decisions of the EUIPO's Cancellation Division, the EUIPO Board of Appeal, and the EU General Court all went against the invalidity applicant. However, the appeal ruling of the CJEU, handed down on November 10, 2016, went the other way.

The issues on appeal concern the application of Article 7(1)(e)(ii) of the EUTM Regulation. This provides that registration should be refused to marks that consist exclusively of the shape of goods that is necessary to obtain a technical result.

The case on appeal to the CJEU turned on the difference between what may be gleaned simply by looking at the graphic representation of the mark as filed and what is known or can be ascertained about the product that it represents. The graphic representation shows a three-dimensional cube, with surfaces divided into a grid structure. Practical knowledge of the product that it represents would reveal that the columns and rows into which the product is divided by the grid may be rotated. The rotational capacity is a technical aspect that could be taken into account for the purpose of Article 7(1)(e)(ii). According to the General Court, Article 7(1)(e)(ii) could be applied only to technical features that may at least be “inferred with sufficient certainty” from the graphic misrepresentation of the mark as filed—which was not the case here.

The CJEU disagreed, holding the General Court to have been wrong in law. Referring to its judgment of September 14, 2010, in

Lego Juris v. OHIM,³³ the CJEU held that the essential characteristics of a shape must be assessed in the light of the technical function of the actual goods concerned, and thus: “since it is not disputed that the sign at issue consists of the shape of actual goods and not of an abstract shape, the EU General Court should have considered the technical function of the actual goods at issue, namely a three-dimensional puzzle, and it should have taken this into account when assessing the functionality of the essential characteristics of that sign.”³⁴

Citing its judgment of March 6, 2014, *Pi-Design and Others v. Yoshida Metal Industry*,³⁵ the CJEU confirmed that when examining the functional characteristics of a product, an examination may be made that takes account of information beyond that contained in the application form. It may not be possible to analyze the shape concerned without such additional information on the actual goods.

The EU General Court had therefore taken too narrow a view of the application of the ground for refusal of registration under Article 7(1)(e)(ii). Moreover, it did not matter that the goods specification referred to three dimensional puzzles in general—with neither the specification nor any supporting description of the marks referring to the goods’ possession of a rotational capacity. The EU General Court decision was therefore annulled on grounds of infringement of Article 7(1)(e)(ii).

2. EU—General Court—When is a mark to be treated as conveying a mere promotional message?

On June 2, 2016, the EU General Court handed down its judgment in *Revolution LLC v. EUIPO*.³⁶ The case concerned Revolution LLC’s endeavor to register the word sign REVOLUTION as an EUTM. It applied to register the mark for goods and services in Class 36: “financial consulting, providing venture capital, development of capital, private equity and investment finding; management of private equity funds.”

The application was rejected by the EUIPO, and an appeal to an EUIPO Board of Appeal was dismissed on the ground that the mark was devoid of distinctive character, under Article 7(1)(b) of the

33. *Lego Juris v. OHIM*, Case C-48/09 P ¶ 72, [2010] EUR I- 08403 (Sept. 14, 2010) (EU:C:2010:516).

34. *Simba Toys GmbH & Co. KG v. European Union Intellectual Property Office*, intervener before the CJEU being *Seven Towns Ltd*, Case C-30/15P ¶ 47.

35. *Pi-Design and Others v. Yoshida Metal Industry*, Joined Cases C-337/12 P to C-340/12 P ¶ 54, [2014] ECR I-___ (CJEU, Mar. 4, 2014) (EU:C:2014:129).

36. *Revolution LLC v. EUIPO*, Case T-654/14, [2016] ECR II-___ (GC, June 2, 2016) (EC:T:2016:268).

EUTM Regulation. Revolution LLC contested this decision before the EU General Court.

The EUIPO Board of Appeal had noted that, for services of the kind in question, the attentiveness of the relevant public would be higher than average because the services could involve significant investments. However, the public's attentiveness would be relatively low if it perceived that a sign being used by the service provider was in the nature of a promotional indication. This kind of analysis is often applied to slogans and other advertising straplines, usually simple phrases. The Board of Appeal saw the REVOLUTION mark in the same way: as merely as promotional in nature. Revolution LLC argued that the EUIPO Board of Appeal had wrongly assessed the mark as having a promotional nature. As noted by the EU General Court, the appellant claimed:

that only slogans and laudatory terms conveying an objective and self-evident promotional message in relation to the goods and services covered are refused registration. On the one hand, the word "revolution" is not in itself promotional or laudatory, and on the other, it can be perceived as such in respect of the services concerned only after a complex mental process. Thus, by virtue of its originality and the lack of clear meaning in respect of the services covered, the sign applied for does not constitute to [sic] a promotional message.³⁷

According to the appellant's argument, buyers of the services in question under the REVOLUTION mark would not immediately have assigned to it the laudatory sense of "new and innovative," but would have been struck by its various connotations, such as in the political context.

The EU General Court, however, found in favor of the EUIPO. Noting that one of the meanings of the word "revolution" is "a fundamental, drastic and large-scale change," it held that, when used in respect of the financial services that the mark covered, the word would simply convey "a message that these are new kinds of services offering new, innovative or different investment solutions compared to those existing until then, and which consequently modify the offer of those services in that those revolutionary financial services offer better returns on investment."³⁸ The Court further noted that the investment services in question are often linked to emerging markets or based on innovative financial products intended to maximize investments. The EU General Court was clearly not persuaded that, despite being a single noun with a multiplicity of shades of meaning in different contexts, the relevant public would reflect on any of these in the context of the mark's use

37. *Id.* ¶ 22.

38. *Id.* ¶ 28.

for the specified services. The Court therefore held that “revolution” was simply a laudatory term used in the nature of an advertisement to advertise the positive qualities of the services it covered, and that the mark held a clear, unambiguous message—namely that the services in question are revolutionary, a change, or an innovation—which would be immediately perceived by the relevant public.

The EU General Court went on to hold that the EUIPO Board of Appeal had correctly determined that the mark lacked distinctive character. It held that the mark had no ability to convey any indication of the services’ commercial origin; its capacity was limited to bearing the promotional message that the services covered were revolutionary and innovative. The semantic content of the mark, and the clear link between this content and the services covered, also failed to give the mark any specific originality or resonance, and would not make consumers think about, or seek to interpret the mark.

3. EU—EU General Court—Does the law on EUTMs recognize that merely suggestive or allusive terms should not be condemned as descriptive?

The EU General Court ruled on *Peter Chung-Yuan Chang v. EUIPO*³⁹ on May 12, 2016. The dispute related to Mr. Peter Chung-Yuan Chang’s International Registration (IR) for the word mark AROMA, which designated the European Union. The mark was registered in respect of goods in Classes 7 and 11; the General Court noted that the goods at issue came within the general category of “electrical cooking utensils’ in Classes 7 and 11, being a range of products intended to be used “to prepare, cook, transform, process, heat, mix, blend, toast or roast foodstuff[s] and beverages.”⁴⁰

In 2012, the intervener, BSH Hausgeräte GmbH, applied for a declaration of invalidity of the EU designation of the International Registration, primarily under Articles 7(1)(b) and (c) of the EUTM Regulation. While the EUIPO Cancellation Division rejected the application, an EUIPO Board of Appeal granted the application on appeal, holding that the mark was invalid under Article 7(1)(c) as it described the goods that it covered and that it was thus also devoid of distinctive character within the meaning of Article 7(1)(b). It found that the meaning of the mark AROMA was synonymous with “flavor,” “smell,” “perfume,” “bouquet,” and “fragrance,” especially in English, German, Italian, and Spanish, and could, due to a direct and unequivocal conceptual link between the goods and the term

39. *Peter Chung-Yuan Chang v. EUIPO*, intervener before the General Court and the other party to the proceedings before the Board of Appeal being BSH Hausgeräte GmbH (formerly BSH Bosch und Siemens Hausgeräte GmbH), Case T-749/114, [2016] ECR II— (GC, May 12, 2016) (EC:T:2016:286).

40. *Id.* ¶ 27

“aroma” be perceived as referring to an essential characteristic or intended use of the goods covered. Mr. Chung-Yuan Chang contested the decision on appeal to the EU General Court.

While rejecting his claims that an “aroma” could not be considered a “smell,” “taste” or “flavor,” the EU General Court upheld Mr. Chung-Yuan Chang’s submission that the meaning of the term “aroma” never directly referred to the appliance itself, but to the food cooked in it, meaning that the word mark could not be directly associated with a characteristic or intended use of the goods. The EU General Court agreed with the appellant’s submission that the Board of Appeal had erred by carrying out an elaborate and complex form of reasoning, which assigned an indirect meaning to the mark AROMA in order to establish an indirect connection with the goods covered, when according to the case law cited, the grounds for objection would arise when the relationship between the signs and goods covered was direct.

The EU General Court held that the nature and essential characteristics of the cooking apparatus covered by the International Registration had no direct relationship with the AROMA mark. It noted that

the aroma of a foodstuff depends, most importantly, on the foodstuff used and the way in which it is prepared and cooked. Every foodstuff already has its own natural smell which may be accentuated or brought out, suppressed, or even hidden, in the course of its preparation, to such an extent that an aroma which may, where relevant, be given off by a foodstuff after having been cooked or prepared with the help of an electrical cooking appliance does not allow for a direct reference to those goods to be created without further thought⁴¹

Rather, in the eyes of the relevant public, an aroma would be directly linked to the foodstuff itself, and only indirectly associated with the electrical appliance after some thought. The EU General Court therefore found that the function or intended use of the goods at issue was not to obtain beverages or foodstuffs with aroma, since that was rather a desirable characteristic of food prepared or cooked with the help of those goods.

Indeed, the EU General Court noted that, at most, the mark demonstrated an indirect connection with the goods and that, in trade, this indirect connection, being limited to a suggestion or allusion, was incapable of serving to demonstrate a quality or intended use of the goods, whether the actual use (i.e., the way the mark was used in practice) or normal use (i.e., the use of the mark indicated in the application) of the mark was at issue. It further noted that the term “aroma” did not relate to any commercially essential characteristic of the goods covered, nor to any ancillary

41. *Id.* ¶ 40.

characteristic of the goods, but to the desirable characteristics of other goods that might be used alongside the goods covered by the mark but that did not have any direct connection with them. The term “aroma” could be perceived as giving the goods at issue a positive image, but the abstract and indirect manner in which such an image would be created meant that the mark *evoked* rather than *designated* a characteristic of the goods. As such, the term “aroma” could not be considered to have a descriptive character in relation to the goods at issue.

The EU General Court therefore found that the Board of Appeal had erred in finding that the mark contained obvious and direct information about the qualities and characteristics of the goods at issue. It held that the mark AROMA was not descriptive of the way in which the goods at issue functioned, of their intended use, or of any other of their characteristics and so was not invalid under Article 7(1)(c) of the EUTM Regulation.

This finding also undermined the EUIPO Board of Appeal’s assessment that the mark was devoid of distinctive character, which was based on the understanding that the mark was descriptive. The EU General Court noted a certain laudatory quality in the mark, as of a pleasant fragrance to be derived from cooking using the appliances in question. But it held that the fact that a mark may be seen as being a promotional formula—capable of being used by other undertakings because of its laudatory function—is not in itself sufficient to support the conclusion that that mark is devoid of distinctive character.⁴² It held that the mark AROMA would require interpretation by consumers, who would not be able to associate it directly with the goods at issue, and that the mark demonstrated a degree of originality. As such, the General Court found that the mark had a distinctive character within the meaning of Article 7(1)(b) of the EUTM Regulation.

4. EU—EU General Court—How far can descriptiveness objections apply across a range of goods and services associated with the operation of an online platform?

The EU General Court delivered its judgment in *salesforce.com, Inc. v. EUIPO*⁴³ on June 28, 2016. The case involved *salesforce.com*’s attempt to register the word mark SOCIAL.COM as an EUTM for goods and services in Classes 9, 35, 41, 42, and 45. This decision has a procedural element that is comparable to that arising in the *Winnetou* case noted in Part VII of this Review, but with a different

42. *Id.* ¶ 61.

43. *salesforce.com, Inc. v. EUIPO*, Case T-134/15 [2016] ECR II-___ (GC, June 28, 2016) (EU:T:2016:366) (SOCIAL.COM).

outcome. The present case is noted in this Part because of its stark substantive outcome.

Salesforce.com requested that the EU General Court annul a decision by the Board of Appeal to reject its application. The EU General Court's reasoning focused on the first of salesforce.com's two pleas: that the ruling had infringed Article 7(1)(c) of the EUTM Regulation, in that SOCIAL.COM should not have been found to be descriptive of the goods and services at issue.

The EU General Court held (uncontroversially) that the relevant consumer in the case was the English-speaking public in the European Union. It was necessary to determine, from their perspective, whether there was a sufficiently direct and specific relationship between the sign SOCIAL.COM and the goods and services at issue.

The appellant's submission had its basis in the fact that the Board of Appeal had held that the mark was descriptive of all of the large number of goods and services at issue, which came from five different classes and ranged widely—including, among other things, computer software, advertising and PR services, office functions, publishing, events, scientific and technological services, digital picture services, licensing of computer systems and software, and the monitoring of content for others. In salesforce.com's opinion, the EUIPO had failed to carry out a sufficiently detailed examination of the relationship between the contested mark and each of the goods and services at issue. Instead, the appellant suggested that the EUIPO had referred to the vague expressions "social media" and "social networks," which it had failed to define, in order to link all the goods and services at issue all to the concept of "social interaction on the internet" and so to erroneously treat them as a single homogenous category.

The EU General Court, however, upheld the Board of Appeal's decision, beginning with the EUIPO's analysis of the meaning of each of the two component parts of the sign—"social" and ".com," and the meaning of the sign as a whole. The EU General Court held that the main meaning of the word "social" was related to the concept of "society," and that the second element of the sign—".com"—would be immediately recognized by the relevant public as referring to a website, and so was a technical and generic element. It also noted that ".com" could serve to indicate that the goods and services covered by the mark might be obtained or consulted online, or were connected to the Internet. Further, the EU General Court found that the sign would be "understood as an overall internet-related concept in relation to society, that is to say an 'internet-based social interaction.'"⁴⁴ In relation to the goods and services concerned, it would be perceived as a reference to "social media" and

44. *Id.* ¶ 24.

“social networks”—which the EUIPO had defined as: “computer mediated tools which allow people to create, share or exchange information, ideas, photographs and videos in virtual networks and communities”⁴⁵ that were well-known to the relevant public. It held that the element “.com” strengthened the perception of the sign as referring to social interaction on the Internet.

The EU General Court then addressed the appellant’s contention that the Board of Appeal should have carried out a detailed examination of the goods and services at issue, to establish whether there was a link between them and the mark, and thus whether the mark should be rejected for registration in respect of the goods and services in question. It noted that settled case law indicated that while, in principle, the decision to refuse the registration of a trademark should state reasons for each of the goods and services in question, nevertheless, where the same ground for refusal is given for a category or group of services and goods, the competent authority may use general reasoning for all of the goods or services that are sufficiently directly and specifically connected, if they comprise a group or category of sufficient homogeneity.

Salesforce.com argued that if the Board of Appeal had carried out a detailed examination of the goods and services at issue, it would have found that certain of them could not be seen as being directly related to the concept of “social interaction on the internet.” These included “the arranging of contacts, scientific and technological services and research and design relating thereto, design and development of computer hardware and software, licensing of computer systems and software and digital picture services.”⁴⁶ However, the EU General Court held that Board of Appeal had correctly found that the goods and services at issue were related to social media or social networks in a sufficiently direct manner and that they formed a group of goods and services of sufficient homogeneity. It noted that:

the Board of Appeal stated that the goods and services concerned “consist[ed] of or relat[ed] to computer programs and games programs, software related in particular to multimedia data on computer networks, such as the internet and on mobile terminals, and downloadable electronic publications in Class 9, as well as a wide range of, inter alia, consultancy, commercial transactions, office functions and online and mobile telephone advertising services in Class 35, printed and electronic publication services as well as other internet, entertainment and social media services in Class 41, a wide variety of scientific and technical services in Class 42 including in particular design

45. *Id.* ¶ 24.

46. *Id.* ¶ 31.

and development of computer hardware and software in particular for managing brand content of social media websites and social networks, and certain computer and online services in Class 45.”⁴⁷

It further found that the EUIPO was correct to decide that “all the goods and services concerned were related to social media or social networks [as] technical core elements of social media platforms, or possible content subject to social media or administrative support services for the proper functioning and maintenance of social media platforms and social networks.”⁴⁸

The EU General Court therefore found that the goods and services in question did form a homogenous category: they were all connected to the concept of “social interaction on the internet,” as they “concern goods and services which may be necessary to ensure the proper functioning and maintenance of social media platforms or social networks or are used for the development of goods and services offered by those social media or social networks.”⁴⁹ As a result, it held that the EUIPO Board of Appeal had carried out a sufficiently detailed examination of the relationship between the mark and the goods and services at issue, and upheld the EUIPO Board of Appeal’s finding that the word mark SOCIAL.COM was descriptive within the meaning of Article 7(1)(c) of the EUTM Regulation.

5. EU—EU General Court—Can potential descriptiveness issues relating to the laudatory meaning of a word be swamped by consideration of other descriptive meanings that the word might or might not be given in the context?

On February 26, 2016, the EU General Court delivered its judgment in *provima Warenhandels Gmbh v. OHIM*.⁵⁰ The case concerned a dispute over whether the word mark HOT SOX, belonging to the intervener, Renfro Corp., was descriptive of the goods at issue.

In 2009, Renfro Corp’s International Registration of its word mark HOT SOX was granted protection in the EU, for goods in Class 25, specifically “hosiery.” The appellant, provima Warenhandels, subsequently objected to the registration, filing an application for a declaration of invalidity. It based its action primarily on

47. *Id.* ¶ 28.

48. ¶ 29.

49. ¶ 31.

50. *provima Warenhandels Gmbh v. OHIM*, the other party to the proceedings before the Board of Appeal of OHIM, intervener before the General Court, being Renfro Corp., Case T-543/14, ECR II-___ (GC, Feb. 26, 2016) (EU:T:2015:977).

Articles 7(1)(b) and (c) of the EUTM Regulation, which provide grounds for objections to trademarks that lack distinctive character and/or are descriptive.

The application for invalidity was rejected by the EUIPO Cancellation Division. That decision was upheld by the EUIPO Board of Appeal on May 13, 2014, leading *Provima Warenhandels* to appeal to the EU General Court.

The EU General Court noted that the term “sox” is phonetically similar to the term “socks,” and then turned its attention to the word “hot.” *Provima Warenhandels* claimed the element “hot,” when it concerned temperature, would be understood by the target public in the sense of “warm,” an essential characteristic of socks. The General Court, however, disagreed:

Although the word “warm”, associated with “sox” describes warm socks, that is clearly not the case of the word “hot”, which, meaning “extremely warm” or “very high temperature”, describes neither a characteristic of socks nor their purpose. Socks are worn to keep feet warm or to warm them, but not to make them hot, which could happen if “hot socks” were worn. . . . No consumer would wish to have socks which caused hot feet.⁵¹

It further found that the contested mark does not mean “warming socks,” and that the fact that the applicant, in fact, sold socks specifically designed to be heated in a microwave oven was irrelevant, as the purpose of such socks was to obtain a lasting warming effect, not a “very high temperature.” The General Court therefore upheld the EUIPO’s decision that the use of word “hot” in the sense of temperature was not descriptive of the goods at issue or of their characteristics. It similarly upheld the Board of Appeal’s decision in relation to the meaning of “hot” as “erotic or sexy.” Indeed, it agreed with the EUIPO that “it is highly unlikely that the average consumer when faced with the contested mark interprets it as referring to ‘exotic or sexy socks’, since a pair of socks is not generally perceived as being sexually provocative.”⁵²

The Court did, however, find that the EUIPO had erred in finding that the word “hot” did not have a recognized meaning that would allow HOT SOX to designate “currently popular socks,” since the definition of the word “hot” as “fashionable” was one of its least-recognized meanings, and that overall the word “hot” had too many definitions to give the mark a clearly definable meaning. As the applicant pointed out, this disregarded the fact that a word sign must be declared invalid under Article 7(1)(c) if any of its possible meanings designate a characteristic of the goods concerned. However, the EU General Court went on to find that there was no

51. *Id.* ¶ 33.

52. *Id.* ¶ 49.

evidence to suggest that English-speaking consumers in the EU would immediately perceive the mark, without any reflection, as meaning fashionable or trendy socks. It therefore found that the public would not understand the mark in the sense of “fashionable” or “trendy,” or even simply “desirable” socks.

It is not clear why the EU General Court in this case thought it so unlikely that the relevant public which would attribute a laudatory meaning to the term “hot,” which is quite commonly used in marketing, or why positive evidence should have been required to demonstrate that such a meaning might apply. The case is in contrast to others in which the court was quite ready to spot laudatory meanings in words.

The EU General Court then moved on to consider the applicant’s second plea that, as the HOT SOX mark is descriptive of characteristics of articles of hosiery, it is devoid of distinctive character in relation of those goods. The General Court rejected this argument, upholding the Board of Appeal’s decision that the word “hot,” unusual for articles of hosiery, and the incorrect spelling of the word “socks” formed a sufficiently original whole as to have at least a minimal distinctive character, so meaning that Article 7(1)(b) did not apply in the case.

The General Court therefore rejected the appeal on both grounds.

6. EU—EU General Court—Can descriptiveness objections based on the meaning of a mark in a certain European language be overcome by evidence that, in the relevant culture of the consumers who speak that language, the term of which the mark is composed would not be used?

On October 27, 2016, the EU General Court delivered its rulings on two related cases: *Caffè Nero Group Ltd v. EUIPO* (Cases T-29/16 and T-37/16).⁵³ The EU General Court rejected Caffè Nero’s application to register the word mark CAFFÈ NERO in Case T-29/16 and its application to register a figurative mark containing the same words (see below) in Case T-37/16. The two rulings were based on equivalent reasoning.



53. *Caffè Nero Group Ltd v. EUIPO*, Case T-29/16, [2016] ECR II-___ (GC, Oct. 27, 2016) (EU:T:2016:635), and *Caffè Nero Group Ltd v. EUIPO*, Case T-37/16, [2016] ECR II-___ (GC, Oct. 27, 2016) (EU:T:2016:634).

In 2014, Caffè Nero, a coffee house business, applied to register the word mark **CAFFÈ NERO** and figurative mark (above) in respect of goods and services in Classes 30 (including coffee and foods sold in coffeehouses) and 35 (including retail services connected with coffee, tea, cocoa, and packaged and prepared foods). However, its application was rejected by the EUIPO. Caffè Nero is a well-known and popular chain of coffee shops in the United Kingdom, which sells a range of coffee-related products from point-of-sale displays. Few of its target market in the United Kingdom will have speculated that the name “Caffè Nero” might have a descriptive meaning. However, EUTMs are for use in the whole of the European Union, and descriptiveness objections can arise under any of the Union’s languages. In this case, as the mark was composed of Italian elements, the matter was considered from the viewpoint of the Italian-speaking public.

The EUIPO Board of Appeal held that the marks would be perceived by the relevant public as simply meaning “black coffee,” namely coffee served as a beverage without cream, milk, or sugar. In the Court’s opinion, the public would take the marks to indicate that the goods and services to which applied tasted like, contained or were black coffee. It therefore refused the marks’ registration on the grounds of Articles 7(1) (b), (c), and (g) of the EUTM Regulation, which provide, respectively, for objections to be raised on grounds of lack of distinctiveness, descriptiveness, and deceptiveness.

Caffè Nero appealed to the EU General Court and, among its submissions, argued that the Board of Appeal had been wrong to hold that the marks in question were descriptive of the goods and services at issue on the basis that “caffè nero” means “black coffee.” It contended that in practice the expression “caffè nero” had no meaning in Italian or Italian coffee culture, where coffee is referred to using a specific name—such as espresso, cappuccino, etc.—rather than by reference to its color. It further argued that the EUIPO Board of Appeal had not relied on any evidence to show that Italian speakers understood “caffè nero” as “black coffee” and that Board of Appeal’s finding was contrary to the evidence that the appellant had produced.

The appeal was rejected by the EU General Court. It noted that the sign was composed by two common Italian terms: “caffè” meaning “coffee” and “nero,” meaning “black.” As a whole, and according to Italian grammar and syntax, the combination of the terms would be perceived by the public as meaning “black coffee.” Further, the Court held that the EUIPO can base its decisions on facts not submitted by the applicant, and that it was common knowledge that Italian speakers understand “caffè nero” as “black coffee.”

The EU General Court further found that the evidence submitted by the appellant, which consisted of extracts from webpages written in English and which were mainly directed at a non-Italian-speaking-public for tourism purposes, could not prove, on its own, that the Italian-speaking public did not use “caffè nero” as “black coffee.” In any case, the marks would be understood by the public as relating to coffee that is black in color, and the EU General Court therefore upheld the EUIPO Board of Appeal’s conclusion that it was “irrelevant that there are other terms which might be used more frequently than ‘caffè nero’ to refer to coffee-based beverages.”⁵⁴

The EU General Court then considered the relationship between the sign and the goods and services at issue. The goods included foods for everyday consumption, coffee in various forms, coffee-related goods, foods that taste like coffee and foods to be consumed alongside coffee served as a beverage. The services in question were also related to food, including services related to the sale and promotion of coffee and coffee pods. The Court ruled that, given the public’s perception of the signs, they would be taken as indicating that the goods in question and the foods to which the services at issue relate, either are, contain or taste like black coffee. It therefore found that the signs were descriptive, and so invalid for registration under Article 7(1)(c).

In light of the Court’s interpretation of the relationship between the signs and the goods and services at issue, it also rejected Caffè Nero’s submission the marks had a non-deceptive use and so that the Board of Appeal had wrongly found the marks to be invalid for registration under Article 7(1)(g). Caffè Nero claimed that the marks could be perceived as referring to goods and services supplied by a coffeehouse with the name “Nero.” The EU General Court, however, held that because of the descriptive nature of the marks, consumers would be likely to believe that some of the goods referred to in the application, including tea, cocoa, and coffee substitutes, contained, tasted like, or were black coffee, and so that they were likely to choose the goods based on this belief. As such, despite the possibility that the marks would be understood as referring to a coffee house named “Nero,” the nature of the marks was such that they would deceive the public and fail to fulfill their role of guaranteeing the origin of the goods and services to which they refer. Therefore, the EU General Court found that the Board of Appeal had been right to reject the marks’ registration on the grounds of Article 7(1)(g) of the EUTM Regulation.

54. Nero Group Ltd v. EUIPO, Case T-29/16 ¶ 31.

7. EU—EU General Court—What gives a simple graphic form distinctive trademark character in the eyes of the relevant public?

On December 15, 2016, the EU General Court handed down its judgment in the joined cases *Novartis AG v. EUIPO*.⁵⁵ Novartis had applied to register the following figurative signs—one in gray and the other in green—as EUTMs in respect of “pharmaceutical preparations” in Class 5.



The applications had been refused by the EUIPO, a decision that was upheld by an EUIPO Board of Appeal. The Board of Appeal had held that the marks were devoid of distinctive character, within the meaning of Article 7(1)(b) of the EUTM Regulation, considering them to represent nothing more than the stylized outline of an oval-shaped pharmaceutical lozenge or pill viewed from above or from an angular perspective. Novartis then appealed to the EU General Court, requesting that the Court alter the Board of Appeal’s decision to find that the marks applied for had the distinctive character necessary for registration.

Novartis argued that its marks did have distinctive character, as they were “abstract and ambiguous” signs that could be interpreted in many ways and that encouraged the relevant public to play with their various possible meanings.⁵⁶ It further claimed that the signs had a unique character that made them recognizable as a result of the concave impression created by the shades of green and gray. In addition, it submitted that, as the curved line in the shape of the letter “C” did not form a full circle, the signs were not round shapes resembling pills.

The EU General Court agreed with Novartis. As the curves making up the marks were not closed, but shaped like crescents or the letter “C,” it was very unlikely, the Court considered, that the relevant public would perceive the shape of a pill, even once the designs were affixed to the packaging of the pharmaceutical products. The shading of, and a slight twist in, the designs made it even more unlikely that they would be seen to represent a pill. The

55. *Novartis AG v. EUIPO*, Joined Cases T-678/15 and T-679/15, [2016] ECR II-___ (GC, Dec. 15, 2016) (EC:T:2016:749).

56. *Id.* ¶ 13.

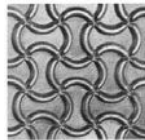
marks would therefore be perceived as shapes without a link to any pharmaceutical products. Even where the marks were used on the packaging of the goods, the public would not perceive the signs as representations of the goods, as the usual shape of the goods was not sufficiently close to that of the marks.

The EU General Court also held that the marks were not too simple to have a distinctive character. It noted both parties accepted that the marks were not geometric figures, which are too simple to convey a message that consumers are able remember. Rather, the Court noted that both signs resembled both a crescent moon and the letter “C”; the different shades of color in the marks created “a play of light and shadow,” and the curves that composed them were of varying thickness and had a slight twist.⁵⁷ As such, the EU General Court found that they displayed characteristics that would distinguish them in the eyes of the public. They were, therefore, signs that could be easily and instantly memorized by the relevant public, and immediately perceived as indications of the goods’ commercial origin.

8. EU—EU General Court—In what circumstances may a figurative mark formed of a geometric pattern be taken as liable to form a surface decoration or an aspect of a product or packaging shape?

On November 9, 2016, the EU General Court handed down judgment in *Birkenstock Sales GmbH v. EUIPO*.⁵⁸

The dispute concerned the European Union designation of an International Registration (see below) belonging to Birkenstock, a German footwear company. The trademark at issue is a figurative mark comprising crisscrossing wavy lines. The pattern is the same horizontally and vertically, and has no contours.



The figurative mark was registered in respect of goods including, among other things, surgical, medical, dental, and veterinary apparatus (Class 10), leather goods (Class 18), and clothing, headgear, and footwear (Class 25).

In 2012, the EUIPO examiner refused protection for the mark in the European Union on the grounds that, under Article 7(1)(b) of

⁵⁷. *Id.* ¶ 42.

⁵⁸. *Birkenstock Sales GmbH v. EUIPO*, Case T-579/14 [2016] ECR II-___ (GC, Nov. 9, 2016).

the EUTM Regulation, it lacked distinctive character. This decision was upheld by the EUIPO Board of Appeal (Case R 1952/2013-1) in May 2014, where the Board of Appeal held the mark to be a “banal” surface pattern, capable of being used on any two- or three-dimensional surface, which could fulfill an aesthetic and/or technical function, and so was indissociable from the appearance of the goods in question. Moreover, according to the Board of Appeal, the overall impression produced by the sign at issue did not depart from standards applicable in the trade sector or usual practices.

Birkenstock contested this ruling at the EU General Court, arguing that the EUIPO had infringed Article 7(1)(b) of the EUTM Regulation by applying criteria not included in that Article. Rather than basing its decision on the mark in its registered form, i.e., a square-shaped figurative mark with an abstract pattern, the EUIPO had “unjustifiably expanded the mark by affirming that it could be reproduced and continued.”⁵⁹ Further, Birkenstock suggested that, if taken literally, the Board of Appeal’s reasoning would mean that no figurative mark could ever be registered, as any figurative mark could be extended infinitely and used as a pattern.

The EU General Court, however, found the EUIPO’s assessment of the mark to have been justified. It held that the EUIPO’s decision was based on the intrinsic characteristics of the sign at issue, which were such that it was composed of a repetitive sequence that could extend indefinitely in all four directions of the square and so could be applied to any two- or three-dimensional surface.

The EU General Court rejected the argument that the contested decision was self-contradictory, Birkenstock having claimed that a mark cannot simultaneously be both a two-dimensional surface pattern and a three-dimensional overlay. The General Court noted that, during the administrative procedure, and in its pleadings, Birkenstock had admitted to having used the sign as a raised surface pattern (which could serve a technical function, by improving grip between the footwear and the surface) on the outsoles of its footwear. It was therefore used as a three-dimensional overlay. Moreover, in the only example of use of the sign submitted to the Court, a photograph of a signboard displaying the pattern being used as a background for shoe racks, the mark was not used in square form, but extended to cover the whole background, and so served as a two-dimensional surface pattern.

Further, the EU General Court found that a “sign that is made up of a series of regularly repetitive elements lends itself particularly well to being used as a surface pattern”⁶⁰ and so, in principle, that there is an inherent probability that such a sign

59. *Id.* ¶ 7.

60. *Id.* ¶ 54.

would be used as a surface pattern. In such circumstances, the Court found that, in respect of all the items at issue,

it is only when the use of a surface pattern is unlikely in the light of the nature of the products at issue that such a sign cannot be considered a surface pattern in respect of the products at issue. Otherwise, the sign at use, bearing the typical characteristics of a surface pattern owing to the repetitive sequence of its elements, may in fact be held to constitute a surface pattern.⁶¹

The EU General Court considered whether this criterion, used with the standard test to determine whether a sign is indissociable from the appearance from the goods in respect of which it is registered, had been correctly applied by the EUIPO Board of Appeal. It further held that these tests should also be applied to the packaging of the products. It noted that case law relating to signs that are indissociable from the appearance of products applies not only in cases where a surface pattern is used on the packaging of products, such as liquids, that are packaged in trade for reasons linked to the very nature of those products, but also to the surface packaging of products such as sweets or cigarettes. These are products which are usually sold in packaging, and are only removed from their packaging just prior to consumption. It did not, however, find grounds to apply the case law to a surface pattern used on what is merely transport packaging, which cannot be equated with the appearance of the product.

With a few minor exceptions, the EU General Court found that the mark in question here was capable of being used as a surface pattern on either the goods or their packaging, with a technical and/or decorative function rather than to indicate its trade source.

The EU General Court went on to find that Birkenstock had provided no “evidence to cast doubt on the Board of Appeal’s finding that . . . given the banality of the sign at use and the infinite number of different designs used as surface patterns, there is no significant departure by the overall impression produced by the sign at issue from the standards or usual practices of the sectors concerned.”⁶² It therefore upheld the Board of Appeal’s decision that the average consumer “would perceive the sign as a simple surface pattern, applied for decorative or technical purposes, and not as an indication of any particular commercial origin.”⁶³

61. *Id.* ¶ 55.

62. *Id.* ¶ 141.

63. *Id.* ¶ 153.

9. EU—General Court—Can a shape mark be held to have acquired a distinctive character where the shape in question is absorbed within another shape that has been extensively marketed, and is not distinguished from it?

On February 16, 2016, the EU General Court confirmed a decision refusing the registration of a Coca-Cola bottle shape mark on grounds that it lacks distinctive character. The case is T-411/14, *The Coca-Cola Company v. OHIM*.⁶⁴ The shape in question is shown below, and is the shape of the plastic beverage bottle used by the company. The shape is similar in overall form to that of the classic glass bottle used for the Coca-Cola beverage, but does not have the vertical fluting of the latter.



The shape mark was applied for as an EUTM in Classes 6, 21, and 32, including (in Class 32) for mineral and aerated water and other non-alcoholic drinks.

Exception was taken to the mark under Article 7(1)(b) of the EUTM Regulation. The applicant argued against the refusal by submitting that this mark possesses inherent distinctive character and arguing that, in any event, it should be admitted to registration under Article 7(3) of the EUTM Regulation. To support the latter argument, the applicant submitted survey and other evidence of the use of the bottle shape and its recognition among EU consumers.

The EU General Court rejected the applicant's arguments and upheld the refusal. Most of the reasoning on inherent distinctiveness follows well-trodden ground and is not worth examination. As for the claim to an acquired distinctiveness, this failed primarily on the basis that the (quite compelling) survey evidence was not sufficiently extensive in territorial terms. It covered the 10 most prosperous EU Member States but did not

64. *The Coca-Cola Company v. OHIM*, Case T-411/14, [2016] ECR II-___ (GC, Feb. 16, 2016) (EU:T:2016:94).

address consumer perceptions in the other EU countries—particularly the majority of countries that had joined the EU since 2004. There was no sufficient basis to extrapolate from the evidence that had been adduced what acquired distinctiveness the bottle shape might enjoy in the other countries.

The interesting factor of the case was the attempt by the applicant to draw upon the reputation of the classic fluted glass bottle to promote the case for the registration of the less elaborate shape of the plastic bottle (each being referred to as a “contour bottle”). The Coca-Cola Company argued (among other things) that the newer bottle was an evolution of the earlier shape, and that one could find the shape of the newer bottle in the shape of the older bottle. The older shape is a registered EUTM. The EU General Court summarized the argument as follows:

The applicant essentially considers that the Board of Appeal erred in law in so far as it did not acknowledge that the mark applied for had acquired a distinctive character through its use as part of a registered trademark or in conjunction with it. The applicant claims that there has been extensive use of the mark applied for as part of the shape of its contour bottle with fluting. In that regard, it refers to the judgment of July 7, 2005, in *Nestlé* (C-353/03, ECR, EU:C:2005:432),⁶⁵ in which the Court held that the distinctive character of a mark referred to in Article 7(3) of [the EUTM Regulation] may be as a result both of the use, as part of a registered trademark, of a component thereof and of the use of a separate mark in conjunction with a registered trademark.⁶⁶

The contour bottle, both with and without fluting, had been sold in very significant quantities over many years. In addition, there had been considerable promotion of the contour bottle, with or without fluting, in advertising. The applicant relied partly on its extensive marketing of the shape of the mark applied for (that is, the mark applied for on its own) in two-dimensional form.

According to the EU General Court, the applicant claimed that: the evidence clearly shows a two-dimensional side view of the mark applied for, which has been depicted on point of sale material, advertising, and actual products, such as bottles and cans. The applicant maintains that there is nothing in European Union trademark law that prevents distinctiveness being acquired in a three-dimensional mark through use of a two-dimensional mark.⁶⁷

65. *Société des produits Nestlé SA v. Mars UK Ltd.*, Case C-353/03, [2005] ECR I-06135 (CJEU, July 7, 2005). (EU:C:2005:432).

66. *The Coca-Cola Company v. OHIM*, Case T-411/14 ¶ 60.

67. *Id.* ¶ 62.

However, the EU General Court distinguished the case from *Nestlé*.⁶⁸ Unlike the mark at issue there (“HAVE A BREAK” as part of “HAVE A BREAK . . . HAVE A KIT-KAT.”), the bottle shape mark being applied for by Coca-Cola was not clearly distinguishable from the mark that it was alleged to be part of. It was not clear, to the General Court, what the advertising material that had been put in evidence was really showing—whether it showed the bottle mark applied for, or the classic fluted bottle. In the present case, unlike in *Nestlé*, “the mark applied for is not used in combination with the mark it is alleged to be a part of but absorbs that mark or, inversely, is itself absorbed by it to the extent that the silhouettes of the mark applied for and the mark it is alleged to be part of overlap.”⁶⁹

An attempt to leverage the recognition of the classic fluted bottle as cultural icon (for example, as a well-known feature of pop art) failed on a similar basis.

10. EU—EU General Court—Can an abstract design confer inherent distinctiveness on a color mark, and can a survey designed to show acquired distinctiveness also help establish the mark’s inherent distinctiveness?

On May 10, 2016, the EU General Court upheld an EUIPO Board of Appeal decision that confirmed the refusal of an EUTM application to register a figurative mark belonging to the German company August Storck KG, in Case T-806/14, *August Storck KG v. EUIPO*.⁷⁰

The mark in question, shown here, was applied for in respect of the following goods in Class 30: “Confectionery, chocolate, chocolate products, pastries, ice-creams, preparations for making the aforementioned products, included in this class.” The application indicates that the mark uses the colors blue, white, and gray.



The EUIPO Board of Appeal upheld the refusal of the application on the grounds that the mark lacked distinctive

68. *Société des produits Nestlé SA v. Mars UK Ltd.*, Case C-353/03, [2005] ECR I-06135 (CJEU, July 7, 2005). (EU:C:2005:432).

69. *The Coca-Cola Company v. OHIM*, Case T-411/14 ¶ 76.

70. *August Storck KG v. EUIPO*, Case T-806/14, ECR II-___ (GC, May 20, 2016) (EC:T:2016: 284).

character, within the meaning of Article 7(1)(b) of the EUTM Regulation. August Storck appealed to the EU General Court, and among its submissions, argued that the EUIPO had erred in its assessment of the level of distinctiveness required for the registration of the mark, by wrongly applying the criteria relating to three-dimensional marks to the contested mark, having wrongly assumed that the mark was a three-dimensional mark rather than a figurative mark. It also contested the EUIPO's finding that the mark lacked distinctive character in any event.

The EU General Court held first that the EUIPO had been right to refer to the case law applicable to three-dimensional marks when assessing the registration of the mark. The criteria for determining the distinctiveness of three-dimensional marks which consist of the appearance of the goods themselves is no different from that applicable to other marks. As such, the case law appropriate in those cases also applies where the mark applied for is a figurative mark consisting of a two-dimensional representation of goods' packaging. In such a case, the mark does not consist of a sign unrelated to the appearance of the goods that it denotes.

The EU General Court then upheld the Board of Appeal's decision that the mark lacked distinctive character, finding that the mark consisted simply of a combination of presentational features typical of the packaging of the goods in question. The Court found that the color combination of blue, white, and gray was incapable of distinguishing, immediately and with certainty, the applicant's goods from other undertakings. The colors were commonplace and would be seen as being aesthetic or presentational by the relevant public, which was used to seeing colorful elements on the goods concerned. Moreover, settled case law indicates that, while colors can convey associations of ideas and arouse feelings, they have little inherent capacity to communicate specific information, especially as their appeal to the consumer is such that they are commonly and widely used in advertising and marketing without any specific message attached to them.

The EU General Court also dismissed the applicant's submission that the colors were more than a simple color scheme, and created an image representing a snow-covered hill against the sky. The Court pointed out that the description of the mark, as filed, made no reference to this interpretation of the graphic representation and that, in any case, this interpretation would not be obvious to the relevant consumer. It also noted that snow-covered hills already appear on the packaging of a number of famous chocolates, while a blue sky is also an element that often features on packaging. The white part of the packaging could also bring to mind milk, rather than hills, given that milk is a common ingredient of chocolate and ice-creams. The Court further noted that consumers are used to seeing images as well as color elements on

packaging of this kind, and agreed with the assessment of the Board of Appeal that the image in the present case did nothing to confer a distinctive character on the mark, and was likely to be seen as a simple decorative pattern, not an indication of the goods' commercial origin.

The EU General Court went on to reject August Storck's argument that the EUIPO should have considered a public survey carried out by Ipsos in Germany when assessing the mark's *inherent* distinctiveness, because the survey showed that the majority of the respondents were already familiar with the mark before taking the survey. Moreover, as the survey was restricted to consumers in Germany, the survey was considered insufficient to establish the mark's *acquired* distinctiveness respect of the European Union.

The General Court therefore dismissed August Storck's appeal, finding that the mark should be refused registration as a result of an absence of distinctive character. August Storck has since appealed to the CJEU.

**11. EU—General Court—Sound marks—
When should a sound mark be regarded as excessively
simple, notwithstanding the familiarity of consumers
with the use of sound marks in the economic sector
concerned?**

Case T-408/15, *Globo Comunicação e Participações S/A v. EUIPO*,⁷¹ is a rare sound mark case. The EU General Court's decision, upholding the refusal of a “ringtone” mark, was handed down on September 13, 2016.

The mark in question, applied for as an EUTM, was the sound represented graphically as follows:



The goods and services for which registration was sought were limited during the proceedings. For the purposes of the action before the EU General Court, they were as follows:

Class 9: “DVDs and other digital recording media; computer software; applications for tablets and smartphones”;

Class 38: “Television broadcasting services”;

⁷¹ *Globo Comunicação e Participações S/A v. EUIPO*, Case T-408/15, [2016], ECR I-____ (CJEU, Sept. 13, 2016) (Jingle Sound Plim (SONIT)).

Class 41: “Education; providing of training; entertainment; sporting and cultural activities; entertainment services in the form of television programmes; production of television entertainment features entertainment services, namely television news, educational, sports and comedy programmes, television soaps, television variety shows; production of television programmes; production of online entertainment.”

The Registration was refused by the EUIPO. The EUIPO’s Fifth Board of Appeal upheld that decision. It found the mark to consist of the repetition of a sound that resembled a ringtone and was “banal in every respect.”⁷²

Before the General Court the applicant contested, among other things, the EUIPO Board of Appeal’s assessment that the mark lacked distinctive character under Article 7(1)(b) of the EUTM Regulation.

The EU General Court noted that (although relatively unusual in other areas) it was not unusual for sound elements to be used as trademarks in economic sectors such as TV broadcasting. Moreover, “it must be held that, as regards certain goods and services linked, in particular, first, to tools for communicating or entertaining by means of television broadcasting or radio broadcasting and to telephony and, secondly, to IT media, computer software or to the media sector in general, sound elements, such as jingles or melodies, are used in order to enable the product or service at issue to be identified aurally as coming from a particular undertaking.”⁷³

It is not, confirmed the EU General Court, necessary for the sound mark to be original or fanciful. However, even in these economic sectors (where consumers may be familiar with jingles and the like being used as trademarks) it remains a requirement that the sound mark “have a certain resonance which enables the target consumer to perceive and regard it as a trademark and not as a functional element or as an indicator without any inherent characteristics.”⁷⁴

Thus, “a sound sign which did not have the capacity to mean more than the mere banal combination of notes of which it consists would not enable the target consumer to perceive it as functioning to identify the goods and services at issue, since it would be reduced to a straightforward ‘mirror effect’, in the sense that, as the EUIPO correctly stated at the hearing, it would refer only to itself and to nothing else.”⁷⁵

The EU General Court went on to hold that a sound characterized by “excessive simplicity”—being no more than the

72. Case R 2945/2014-5 (EUIPO Fifth Board of Appeal, May 18, 2015).

73. *Globo Comunicação e Participações S/A v. EUIPO*, Case T-408/15 ¶ 44.

74. *Id.* ¶ 45.

75. *Id.* ¶ 46.

simple repetition of two identical notes—is not capable of conveying a message that can be remembered by consumers. It will go unnoticed and unremembered.

It went on to hold that the mark “therefore amounts to the ringing of an alarm or telephone regardless of the context in which it is used and regardless of the medium used and that ringing sound does not have any inherent characteristic which is separate from the repetition of the note of which it consists and would serve to identify anything other than that ringing of an alarm or telephone.”⁷⁶

The applicant argued that a telephone ringtone sound was an unusual way of identifying the origin of services, and this factor gave the mark an inherent distinctiveness. The EU General Court held that this consideration could not outweigh the fact that (according to its findings above) the “excessive simplicity” of the sound sign made it incapable (inherently) of identifying the services of a particular provider “since that sign [sound] is monotonal and can refer only to itself.”⁷⁷

The General Court considered the particular sound mark in question here to be “equated with the ‘standard’ ringing sound with which all electronic devices equipped with a timer and all telephone apparatus are provided.”⁷⁸ It considered that it could not be equated with a “jingle which is unusual on the ground that it includes two rings.”⁷⁹

The EU General Court briefly considered the distinctiveness issue in relation to the specific claimed goods and services. Of these within the restricted list: as for the Class 9 goods (DVDs, software, etc.) the mark (sound) would “be understood as indicating merely that the data carrier, computer program or application for electronic devices is being started”; regarding the training services, the consumer is not accustomed to sounds being used as trademarks in this field, and would regard the mark (sound) as “only a mere function of the goods and services,” and regarding the Class 38 broadcasting and TV services, the sound mark would, owing to its “banality,” be perceived merely as indicating the beginning or end of a television program.⁸⁰

As with shape and slogan marks, the case seems to show that when a mark possesses a very simple character (or “banality”) then the EU General Court will be relatively uninterested in exploring whether, given its particular character and the context of its use, it might nevertheless be regarded as distinctive because it would appear inapposite or striking in that context.

76. *Id.* ¶ 53.

77. *Id.* ¶ 55.

78. *Id.* ¶ 58.

79. *Id.* ¶ 59.

80. *Id.* ¶ 67-68.

12. EU—EU General Court—Can a claim to acquired distinctiveness be established by use of an abbreviation of the trademark concerned?

On May 12, 2016, the EU General Court delivered its judgment in *Zuffa LLC v. EUIPO*. The case concerned an appeal by Zuffa, an American sports promotion company specialising in mixed martial arts, against a decision by an EUIPO Board of Appeal to refuse the registration of its word mark ULTIMATE FIGHTING CHAMPIONSHIP.

Zuffa applied to register the word mark ULTIMATE FIGHTING CHAMPIONSHIP in October 2012, in respect of certain goods and services in Classes 9 (including audio and visual recordings, computer programs, and games), 16 (including sport, fitness and entertainment publications, cards, and memorabilia), 28 (including games, action figures, and electronic action figures), and 41 (including live stage shows and performances, amusement and theme park services, TV and radio programs, entertainment shows and interactive programs, provision of entertainment, news and information relating to mixed martial arts).

The EUIPO examiner partially refused the application, leading Zuffa to appeal. The EUIPO Board of Appeal dismissed the appeal and, actually going further than the EUIPO examiner, held that the mark was descriptive of all the goods and services at issue and that, from this descriptiveness, it was clear that the mark was also devoid of distinctive character in respect of all the goods and services. In addition, it found that the applicant had not proved that the mark had not acquired distinctiveness through use. Zuffa therefore appealed to the EU General Court.

Zuffa argued that the EUIPO Board of Appeal had mistakenly held that the mark was descriptive, within the meaning of Article 7(1)(c) of the EUTM Regulation. Among Zuffa's submissions, it claimed that in respect of certain of the goods and services involved, the relevant public was not the general public, but consumers specifically with an interest in mixed martial arts, who would identify "ultimate fighting championship" as referring to the applicant's competition: the world's largest mixed martial arts event.

The EU General Court recognized that, in respect of the goods and services that specifically related to mixed martial arts in Classes 9 and 41, the relevant public was a specialist public composed of "connoisseurs of mixed martial arts." The goods and services in question were:

- Class 9: "pre-recorded audio cassettes; phonograph records; compact discs; pre-recorded video cassettes; laser video discs; digital video discs; digital versatile discs; electronic storage media; USB flashdrives; CD-ROM discs all

featuring mixed martial arts competitions, events and programs; motion picture films in the field of mixed martial arts.” (The parties agreed that the expression “all featuring mixed martial arts competitions, events and programmes” related to all the goods listed before that expression, not just “CD-ROM discs.”)

- Class 41: “provision of information relating to mixed martial arts via communication and computer networks; providing news and information in the fields of sports, fitness and mixed martial arts via communication and computer networks.”

This recognition did not assist Zuffa to overcome the *prima facie* objections to registration on the grounds of descriptiveness and lack of inherent distinctiveness. However, it did serve to improve Zuffa’s case on acquired distinctiveness under Article 7(3) of the EUTM Regulation.

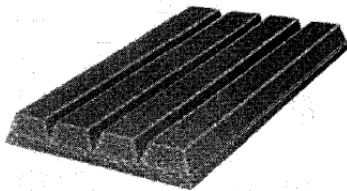
The EU General Court reviewed the evidence of trademark use that Zuffa had put before the EUIPO examiner and Board of Appeal. This included, among other things, witness statements and declarations, advertisements, press articles, websites, details of events, merchandise, lists of fights emails and license agreements. The Court held that, while the evidence was insufficient to demonstrate that the **ULTIMATE FIGHTING COMPETITION** mark had acquired sufficient recognition among the English-speaking general public, to the specific public of mixed martial arts fans it clearly referred to a specific competition. Indeed, it found that this specific public had been familiar with the “ultimate fighting champion: competitions for nearly twenty years.

In its examination of the evidence, the EU General Court found that the EUIPO Board of Appeal had been wrong to dispute the evidential value of a number of pieces of evidence, including advertisements, events at trade fairs, websites, lists of fights, invitations to VIP events, and broadcasting arrangements—on the grounds that they tended to use the initials “UFC” or to the expression “ultimate fighting,” rather than the mark itself. The EU General Court noted that the acronym “UFC” and the expression “ultimate fighting” were often used alongside the **ULTIMATE FIGHTING CHAMPIONSHIP** mark. It was further probable that, to a specialist public of mixed martial arts fans who were likely to know that the mark referred to a specific mixed martial arts championship, the terms “ultimate fighting” and “UFC” would be recognized as referring to the same championship, and so be taken as an equivalent to the mark. The EU General Court therefore held that the evidence was capable of demonstrating that the specialist public was likely to identify the mark as an indicator of the trade origin of the goods and services at issue.

The EU General Court therefore held that appellant had proved that the mark had acquired distinctive character in the eyes of the specialist public of mixed martial arts fans, if not the general public. As such, it held that the appellant was justified in claiming that the Board of Appeal had infringed Article 7(3) of the EUTM Regulation regarding the specific goods and services intended for that specialist public. It therefore dismissed the Board of Appeal's decision in respect of the specific goods and services in Classes 9 and 41 listed above. Interestingly, these goods and services are quite different from those for which the EUIPO examiner had held the mark to be registrable, namely: "blank picture postcards, note cards, greetings cards and holographic greeting cards" in Class 16, and "playing cards and computer game controllers" in Class 28.

13. EU—EU General Court—For an EUTM to have acquired distinctive character through use, must the mark have been used in the whole of the European Union?

The EU General Court delivered its judgment on case *Mondelez UK Holdings and Services Ltd v. EUIPO*, on December 15, 2016.⁸¹ The case concerned a challenge to the validity of Nestlé's EUTM registration of the three-dimensional mark shown below, which corresponds to the shape of a four-finger "KIT KAT" product—being a chocolate wafer. The EUTM application was filed in March 2002. The EUTM was registered in 2006 in Class 30 in respect of "Sweets; bakery products; pastries, biscuits; cakes, waffles."



The same trademark has been registered in the United Kingdom, but that registration has also been the subject of an invalidity challenge as reported elsewhere in this Review. (See the following case note.)

The EUTM that is the subject of the present EU General Court decision was challenged in 2007 by the appellant, Mondelez (at that time, Cadbury Schweppes PLC), a rival chocolate company. Mondelez challenged the mark's validity on the grounds provided in

81. *Mondelez UK Holdings & Services Ltd v. EUIPO*, the other party to the proceedings being *Société des Produits Nestlé*, T-112/13 [2016] ECR II-___ (GC, Dec. 15, 2016) (EU:T:2016:736).

Articles 7(1)(b)(c)(d) and (e)(ii) of the EUTM Regulation. The EUIPO Board of Appeal, however, found that the mark, while not inherently distinctive, had acquired distinctiveness through use and could therefore withstand the challenge based on Articles 7(1)(b)(c) and (d) by virtue of Article 7(3) of the EUTM Regulation. It also dismissed the contention that the mark consisted of a shape necessary to obtain a technical result, and so held that it was not invalid under Article 7(1)(e)(ii). The EUIPO Board of Appeal decision was challenged by Mondelez before the EU General Court, arguing that the EUIPO had not correctly assessed Nestlé's claim to distinctive character acquired through use of the contested mark, and the evidence supporting it. Details of the EU General Court's decision on the appeal now follow.

The EU General Court began by considering the applicant's argument that the mark had not been used for all the goods in respect of which it was registered, and that the Article 7(3) defense could therefore not properly be applied to all of the goods listed in the Class 30 description. The EU General Court agreed, holding that the mark could not be held to have been used for "bakery products," "pastries," "cakes," or "waffles." On that basis, the only specified products to which the Article 7(3) acquired distinctiveness defense could potentially apply were "biscuits" and "sweets"—these being categories, considered by the Court not to be over-broad, into which the KITKAT chocolate wafer sold by Nestlé could be said to fall.

The EU General Court went on to consider the way in which the Board of Appeal had examined the claim to acquired distinctive character. Mondelez had submitted that the contested mark had always been used in conjunction with the word mark KIT KAT, the dominance of which was such that the word mark was the "sole source of any alleged distinctive character."⁸² This argument was rejected by the EU General Court. The Court noted that,

the proof of acquisition of distinctive character through use of the contested trademark is based, to a large extent, on the identification of the commercial origin by making reference to the product known as "Kit Kat 4 fingers" and, hence, to the word mark KIT KAT. However, as the Board of Appeal correctly observed [. . .] each of the surveys examined showed that, when only the shape of the product in question was shown to respondents, a considerable percentage of them spontaneously and immediately associated that shape with the word mark KIT KAT or the intervener.⁸³

The Court recognized that the EUIPO Board of Appeal had therefore relied, for the purposes of assessing acquired distinctive

82. *Id.* ¶ 46.

83. *Id.* ¶ 59.

character, on the use of the contested shape mark in conjunction with the word mark KIT KAT, but held that this approach was nevertheless consistent with the case law, adding:

according to case-law, the fact that the shape of a product or the appearance of its packaging has always been used in conjunction with a word element does not mean that that shape or appearance may not be perceived as an indication of commercial origin.⁸⁴

Mondelez submitted that Nestlé had failed to provide sufficient evidence to establish that the mark had acquired distinctive character. The EU General Court reviewed the submitted evidence, which included documents relating to the sale of goods in the shape of the mark and surveys carried out by independent market research specialists in ten of the fifteen countries that were EU Member States at the time when the application was filed. It found that the evidence, assessed globally, was capable of establishing that in the eye of the relevant public the contested mark was “perceived as an indication of the commercial origin of the goods.”⁸⁵

The EU General Court also noted the CJEU’s judgment in *Société des Produits Nestlé*,⁸⁶ in which the Court concluded that,

regardless of whether the [mark] was used as part of a registered trademark or in conjunction with the registered trademark, the fundamental condition [for the mark to have acquired distinctive character] was that, as a consequence of that use, the [mark] for which registration as a trademark was sought could serve to identify, in the minds of the relevant class of persons, the goods to which it related as originating from a particular undertaking.⁸⁷

In light of these considerations, and in view of the evidence, the EU General Court upheld the EUIPO Board of Appeal’s approach to the issue and rejected the applicant’s arguments that the public identified the chocolate bar only because of its association with the word mark KIT KAT, and that the contested trademark simply represented the shape of a four-finger KIT KAT product. In particular, the EU General Court considered it evident from the survey evidence submitted to the Board of Appeal, which indicated that significant proportions of consumers recognized the contested trademark as an indication of the product’s commercial origin—ranging from 30% in Finland to 53% in the Netherlands to 88% in

84. *Id.* ¶ 62.

85. *Id.* ¶ 94.

86. *Société des Produits Nestlé v. Cadbury UK*, Case C-215/14 ¶64-65, [2015] ECR I-____ (CJEU, Sept. 16, 2015) (EU:C:2015:604).

87. *Mondelez UK Holdings & Services Ltd v. EUIPO*, the other party to the proceedings being *Société des Produits Nestlé*, T-112/13 ¶ 100.

the United Kingdom—that the mark had acquired distinctive character through use.

The analysis of the EU General Court as described so far therefore went in Nestlé’s favor, in contrast to the outcome in the English High Court when examining the position in the United Kingdom (see above), which is, quite possibly, the result of the English High Court having reached a different view about the severity of the legal standard to be applied. However, for reasons unconnected with the foregoing analysis, the EU General Court went on ultimately to hold that the Board of Appeal’s decision must be annulled, on the ground that there was a lack of evidence to prove that the mark had acquired distinctive character *right across* the European Union. The EU General Court noted that, in line with Article (1)(2) of the EUTM Regulation, the unitary character of an EUTM is such that a mark must have an equal effect throughout the European Union.

The EU General Court held the EUIPO to have been wrong in holding that, to prove that a mark had acquired a distinctive character through use throughout the EU, it was sufficient to show that a *substantial proportion of the relevant public within the EU*, taking the EU Member States as a whole, saw the mark as an indication of the product’s commercial origin, rather than proving that the mark had acquired distinctiveness in each of the EU Member States concerned. The Court held that acquired distinctive character must be shown throughout the EU, not just for a substantial part of it, or the majority of it: if the evidence does not cover part of the EU, even if that part were just one EU Member State, it could not be concluded that distinctive character has been acquired throughout the EU. It also held that a lack of recognition of the mark in one part of the EU could not be offset by a higher level of awareness in another part.

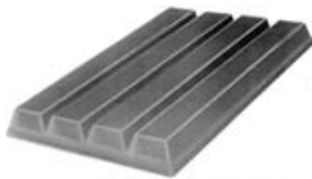
The EU General Court therefore reviewed the Board of Appeal’s assessment of the evidence in light of these conditions. It found that EUIPO had correctly held that the mark had acquired distinctive character through use in France, Italy, Spain, the United Kingdom, Germany, the Netherlands, Denmark, Sweden, Finland, and Austria. In addition, it was right to say that these Member States made up 90% of the EU’s population at the time when the application was filed, and that almost 50% of these people recognized the mark as an indication of the products’ commercial origin. The mark had, therefore, the EU General Court considered, acquired distinctive character in a *substantial part* of the EU. However, the EU General Court also found that there was no evidence to show that the mark had acquired distinctive character through use in Belgium, Ireland, Greece, and Portugal, these being the other Member States at the time of the application. There was, therefore, no proof that the mark had been used throughout the

whole of the EU. As such, the EU General Court found that the EUIPO Board of Appeal had been wrong to accept that the mark had acquired distinctive character sufficient to establish the Art 7(3) acquired distinctiveness defense.

The case has now been appealed to the CJEU.

14. United Kingdom—English High Court—Shape marks—Article 3(3)—For a shape mark to have acquired distinctive character, must the trademark applicant be able to demonstrate that the relevant public rely on the shape as an indication of the trade source?

On January 20, 2016, the High Court of England and Wales gave its ruling in *Société des Produits Nestlé SA v. Cadbury UK Ltd* (Case [2016] EWHC 50 (Ch)).⁸⁸ The case concerned Nestlé's attempt to register a three-dimensional graphic sign corresponding to the shape of its four-finger KIT KAT product, as a UK trademark. This case has been featured twice before in the [Annual Review of EU Trademark Law](#). What makes its appearance this year particularly interesting is the contrast between the decision reported here and that of the EU General Court in the immediately preceding case note, from the EU General Court.



The mark applied for by Nestlé



Nestlé's KIT KAT chocolate wafer

Nestlé had appealed to the English High Court against the UKIPO's decision to refuse the shape mark's registration, and in January 2014 the High Court had found it necessary to refer certain questions to the CJEU.⁸⁹ The CJEU delivered its preliminary rulings in September 2015.⁹⁰ The matter then returned to the

88. *Société des Produits Nestlé SA v. Cadbury UK Ltd*, [2016] EWHC 50 (Ch) (Jan. 20, 2016).

89. *Société des Produits Nestlé SA v. Cadbury UK Ltd*, [2014] EWHC 16 (Ch) (Jan. 17, 2014). For commentary on the case, see Guy Heath, *Annual Review of EU Trademark Law: 2014 in Review*, 105 TMR 509 (2015).

90. *Société des Produits Nestlé SA v. Cadbury UL Ltd*, Case C-215/14, [2015] ECR I-____ (CJEU, Sept. 16, 2015) (KIT KAT).

English High Court, resulting in the ruling here—a preview of which was given in last year’s [Annual Review](#).⁹¹

What the English High Court had particularly wanted the CJEU to make clear was whether the notion of acquired distinctiveness under Article 3(3) of the TM Directive requires the trademark applicant to demonstrate that the public *recognize* the mark and associate it with the applicant’s goods (and thus with the applicant) or whether they must show that the public *rely upon* the mark (as opposed to any other trademarks that may be present) to indicate the goods’ origin.

The English High Court found it difficult to interpret the CJEU’s answer to the questions posed, but held that it should be taken to mean this:

in order to demonstrate that a [mark] has acquired a distinctive character, the applicant or trademark proprietor must prove that, at the relevant date, a significant proportion of the relevant class of persons perceives the relevant goods or services as originating from a particular undertaking *because of* the sign in question (as opposed to any other trademark that may also be present).⁹²

As may be seen above, the English High Court framed this in terms of *perception* not *reliance*. The CJEU had not addressed the question of *reliance* in terms. However, following similar submissions by Cadbury and Nestlé on the issue of reliance, the High Court held that:

it is legitimate for the competent authority, when assessing whether the applicant has proved that a significant proportion of the relevant class of person perceives the relevant goods or services as originating from a particular undertaking because of the sign in question, to consider whether persons would rely upon the sign as denoting the origin of the goods if it were used on its own (i.e., without other trademarks being present).⁹³

Applying this test to the facts of the case at issue, the English High Court upheld the UKIPO’s decision to reject Nestlé’s application. The English Court held that the CJEU’s judgment indicated that the English Court’s own previous interpretation of Article 3(3) was correct, and that the mere association of a shape mark with a particular undertaking is insufficient to demonstrate that the mark has acquired a distinctive character.

Nestlé’s case was not advanced by survey evidence put forward by Nestlé establishing that at least 50% of respondents thought that

91. Guy Heath, *Annual Review of EU Trademark Law: 2015 in Review*, 106 TMR 456 (2016).

92. *Société des Produits Nestlé SA v. Cadbury UK Ltd*, [2016] EWHC 50 (Ch) ¶ 57.

93. *Id.* ¶ 60.

a picture of the mark that the plaintiff wanted to register showed a KIT KAT. Nestlé argued that this indicated that a significant proportion of the relevant public did perceive the goods designated by the mark as originating from a particular company. The English High Court, however, held that this was simply evidence that they recognized the shape and associated it with KIT KAT products, particularly as the design of the survey prompted consumers to name a source of products of the kind depicted in the survey. The fact that a majority of respondents seeing the shape could name KIT KAT did not prove to the Court that they perceived the shape as “exclusively designating the trade origin of such products, any more than the fact that most consumers of cars may be able to name a car manufacturer as a source of cars of a particular shape shows that they perceive that shape as identifying the origin of such cars.”⁹⁴

The English High Court further found no evidence to suggest that consumers relied on the shape mark to identify the origin of the product, and held that they were more likely to rely on the KIT KAT word and pictorial marks to do so. The shape had hardly been used (*per se*) to market the products: it had not been used in promotions in the years before the application was made. The product had been sold in an opaque wrapper, which had not shown the shape of the goods, until just a few months prior to the application when a new wrapper had been introduced, and even then this wrapper was used for only a subset of products. The Court also found that it was inherently unlikely that consumers checked the shape of the product after purchasing it to ensure that it was from the correct trade source. Further, it rejected the idea that the shape was used to confirm the authenticity of the product, in a similar way to wine producers stamping corks as an anti-counterfeiting measure, not only because there was no evidence for it, but because Nestlé embossed each finger with the words KIT KAT.

The English High Court therefore dismissed Nestlé’s appeal and in doing so provided further guidance on the English court’s attitudes towards acquired distinctiveness in the case of non-traditional shape marks. Of all the EU national courts, the English court is perhaps the least likely to be persuaded that a mark has acquired distinctive character on the basis of evidence of a widespread public recognition of the mark. A trademark applicant must go further and prove that a significant proportion of relevant consumers rely on the shape to identify the product’s trade source—an extraordinarily difficult task, given also the English court’s skeptical view of surveys.

94. *Société des Produits Nestlé SA v. Cadbury UK Ltd*, [2016] EWHC 50 (Ch) ¶ 68.

**15. Germany—German Federal Patent Court (BPatG)—
Sign eligible for protection / absolute grounds against
protection—Is a “flag” inserted into a candy wrapping
capable of protection as a registered trademark?**

On June 30, 2016, the German Federal Patent Court delivered its decision in the matter *Candy wrapping with little flag* (*Bonbonverpackung mit Fähnchen*), Case No. 25 W (pat) 33/13.⁹⁵

The case involves two questions: first, as to the eligibility for trademark protection of a figurative mark depicting a product wrapper, with regard to the prohibition on the registration of functional shape marks; and, second, as to the necessary distinctiveness of the mark.

Soldan Holding + Bonbonspezialitäten GmbH filed a German trademark application for the mark depicted below—*candy wrapping with little flag*:



The application sought registration in respect of “cough candies” in Class 5 and “honey” in Class 30 of the International Classification. While the mark was eventually accepted for registration in respect of honey, registration for “cough candies” in Class 5 was rejected. Soldan filed an appeal against the trademark office’s decision, which proved to be successful.

The German Federal Patent Court, in evaluating the case, began by analyzing the wording of relevant parts of the German Trademark Act corresponding to Article 3(1)(e)(ii) of the TM Directive (noted at the beginning of this Part. The relevant sections provide that “signs consisting exclusively of a shape . . . which is necessary to obtain a technical result . . . shall not be amenable to protection as a trademark.” The German Federal Patent Court noted that although the provision might appear to cover only signs of a three-dimensional form, a proper interpretation would nevertheless mandate that the provision is also applicable to figurative trademarks (two-dimensional trademarks) that depict the goods claimed. Otherwise, as the Court pointed out, the purpose of the relevant provisions—that is, to prevent monopolization of certain forms, solutions, etc.—could be sidestepped by seeking

⁹⁵. *Bonbonverpackung mit Fähnchen*, Case No. 25 W (pat) 33/13 (German Federal Patent Court, June 30, 2016).

protection for a two-dimensional (figurative) trademark in lieu of a three-dimensional sign (ECJ GRUR Int. 2006, 846—August Storck / OHIM [candy wrapping]. (See case note 10, *August Storck v. EUIPO*⁹⁶ above).

The German Federal Patent Court also noted that, for purposes of applying the relevant provisions, the shape of *packaging* for goods must in some cases be equated with the shape of the goods per se, and again this can also apply to two-dimensional figurative trademarks depicting a packaging shape—as in the present case—as well as to marks comprising three-dimensional shapes. The Federal Patent Court went on to note, however, that the application of the Article 3(1)(e) prohibition to a packaging shape could be excluded by the CJEU’s decision of February 12, 2004, in Case C-218/01—*Henkel*.⁹⁷ In that case, the CJEU held that when applying Article 3(1)(e) of the TM Directive, the packaging of goods should be assimilated to the shape of the goods themselves where the goods are packaged for reasons connected with their very nature (e.g., because the goods are in liquid form). In this connection, the CJEU had contrasted this with the example of “nails” (sold in hardware stores), which are regularly traded in wrapped form for convenience, but where there is no close connection between the wrapping of the goods and the goods as such.

In the view of the German Federal Patent Court, a superficial reading of the legal position following *Henkel* might thus lead to the conclusion that, for the purposes of applying Article 3(1)(e) of the TM Directive, the form of the packaging and the shape of the goods, in general, cannot be treated equally, thus excluding a finding in the present case that a candy wrapping and the shape of the candy should be comparable for these purposes. Nevertheless, the German Federal Patent Court preferred the view that the CJEU has not finally decided on this issue. Despite the underlying uncertainty on the legal issue the court decided that, in any event, this did not matter here, as the prohibition on functional shape marks would not apply anyway on the facts of the case.

Pursuant to Article 3(1)(e)(ii) of the TM Directive, signs are not amenable to protection as a trademark where they consist *exclusively* of a shape that is *necessary* to obtain a technical result. The wording “exclusively” and “necessarily” makes clear that a product shape is excluded from registration only where its essential features merely embody a technical solution. (And a figurative sign could be excluded from protection on this basis only if the features concerned are depicted in the figurative sign.)

96. August Storck KG v. EUIPO, Case T-806/14, ECR II-___ (GC, May 20, 2016) (EC:T:2016: 284).

97. Henkel KGaA, Case C-218/01, [2004] ECR I-01725 (CJEU, Feb. 12, 2004).

In the present case, the German Federal Patent Court focused on the “flag” shown protruding from the center of the candy wrapper for which registration was being sought. The court considered that, although it is possible that the hanging flag serves the purpose of facilitating the opening of the wrapping, it is not likely that this conclusion is obvious, as the candy could be opened anyway by untwisting the wrapper. Against this background, it was not possible to conclude with sufficient certainty that the flag served exclusively a technical function.

The German Federal Patent Court then turned to consider whether the application should be rejected in any event on grounds of lack of distinctiveness. In the opinion of the German Federal Patent Court, the figurative trademark *candy wrapping with little flag*, as depicted, did not lack distinctiveness with respect to the goods for which the registration is sought. Distinctiveness needs to be assessed independently with respect to the goods in question. When assessing the protectability of three-dimensional trademarks it is, in general, not permissible to apply stricter standards than with respect to other kinds of trademark. Nevertheless, trademarks that consist of the form or packaging of goods are not perceived in the same way as other trademarks by the public, because the average consumer does not necessarily draw conclusions about a product’s origin from the shape of the product or its wrapping. It is therefore established, under principles set by the CJEU, that in the case of shape of goods (and their packaging) a simple deviation from an industry standard does not confer distinctiveness. Rather, it is necessary that the sign should “considerably deviate” from industry standard (*cf.* ECJ GRUR Int. 2005, 135: Maglite).

This is also true where the trademark (as in the given case) is a two-dimensional trademark, which represents the wrappings of the product for which registration is sought.

In the present case, the trademark depicts a two-dimensional picture of a candy wrapping with twisted ends and, in addition, a plain (unprinted) little flag:



As the Germany Federal Patent Court had verified, it was only Soldan (the trademark applicant) which has been using this form of wrapping, and it had used it for several decades (i.e., since the 1920s), always using a little flag with the claim “Only genuine with the flag”:



By contrast, other cough candies were offered by rival manufacturers in many different forms, including little boxes or wrappings as depicted here:



The Court held that, even the use by only one party of certain shapes of goods and wrapping could in itself determine the industry standard of the wrapping. Nevertheless, in the present case, the Court considered the mark to be distinctive, since Soldan used the flag only as a trademark: the flag was (in commerce, although this did not appear in the figurative form presented for registration) only used with the printed legend “only genuine with the flag.” Because of that, the average consumer would—in the opinion of the Court—regard the flag even without a printed legend on it, and thus the entire figurative trademark, as a reference to the product’s origin.

16. Germany—German Federal Supreme Court (BGH)—Absolute grounds—Does the fact that a sign has a promotional meaning exclude its suitability to identify the origin of goods or services?

The German Federal Supreme Court (BGH) delivered its decision on May 31, 2016, in the *OUI* case, Case No. I ZB 39/15 (BPatG),⁹⁸ concerning the question of whether a term that performs a promotional role necessarily lacks the necessary distinctiveness under Section 8(2) No. 1 of the German Trademark Act. (This corresponds to Article 3(1)(b) of the TM Directive.)

Oui Gruppe GmbH & Co. KG is the owner of a German trademark registration for the mark OUI registered for goods in Classes 14 and 25 of the international classification—jewelry and clothing. The word “oui” is French for “yes,” or “ja” in German.

The validity of the registration was challenged on grounds of lack of distinctiveness, including the need to keep the word “OUI” free for others’ use. The German Patent and Trademark Office ordered the cancellation of the registration in Class 14. On the cancellation applicant’s appeal, the Federal Patent Court went even further and, by decision of December 9, 2014 (BPatG, Case No. 27 W [pat] 24 / 14) ordered the cancellation not only in Class 14 but also in Class 25. However, the trademark owner’s further appeal to the BGH, the subject of this case note, proved successful.

A trademark is subject to cancellation pursuant to 8(2) No. 1 of the German Trademark Act (Article 3(1)(b) of the TM Directive) if it lacks distinctiveness with respect to the goods and services for which it has been registered. It is the primary function of a trademark to guarantee the identity of the branded goods or services with respect to their origin. Since it is only where the trademark lacks *any* distinctiveness that an obstacle to registration arises, the CJEU and the German courts have held it necessary to apply a generous standard so that even the smallest degree of distinctiveness is sufficient to overcome the obstacle to registration (*see Audi v. OHIM*, Case C-398/08 P (VORSPRUNG DURCH TECHNIK)⁹⁹; BGH GRUR 2014, 569—HOT; BGH GRUR 2014, 872—GUTE LAUNE DROPS). Distinctiveness needs to be assessed independently with respect to each of the goods and services claimed, evaluating the position with regard to the perception of the informed, reasonably attentive and knowledgeable average consumer of the relevant goods or services.¹⁰⁰

98. Case No. I ZB 39/15 (German Federal Supreme Court (BPatG), May 31, 2016) (*OUI*).

99. *Audi v. OHIM*, Case C-398/08 P, [2010] ECR I-00535 (CJEU, Jan. 21, 2010) (EU:C:2010:29). (VORSPRUNG DURCH TECHNIK); BGH GRUR 2014, 569—HOT; BGH GRUR 2014, 872—GUTE LAUNE DROPS.

100. *See Eurohypo AG v. OHIM*, Case 304/06 P, [2008] ECR I-03297 (CJEU, May 8, 2008) (EU:C:2008:261) (EUROHYPO).

Against this background, the German Federal Supreme Court (BGH) concluded in the present case that the German Federal Patent Court had applied too high a standard. It had taken the position that the word “oui”—being no more than a translation of the German word “ja”—would, as used in connection with goods in Class 25, be intended to attract the attention of customers by expressing sympathy for the promoted product. According to the BGH, however, even if it is true that the average German customer would recognize “OUI” as a translation and may even—as the Federal Patent Court had suggested—understand that the use of the word for Class 25 products expresses sympathy for these products, there is no reason to believe that the promotional meaning that the term conveys would exclude its suitability to serve as a reference to origin. There is no indication that the word “OUI” in the given context has an exclusively promotional meaning that would be required to exclude the possibility that it serves as a reference to origin. (BGH GRUR 2014, 872—GUTE LAUNE DROPS).

The examples that had been submitted by the cancellation applicant purporting to show promotional uses (e.g., “I say ‘Oui’ to the Eiffel tower tie . . .” or “I say ‘Oui’ to the beret of . . .”) did not support the view of the Patent Court that the term “OUI” would be suitable only to serve as a tag line. In all of these examples—as had been correctly pointed out by the trademark owner—the term “OUI” had always been used in connection with other words, always for the purpose of establishing a reference to France (or Monaco), or French products. In none of these cases had the word “OUI” been used in isolation. Because of that it is also necessary to point out that the term “OUI” in none of the examples could be understood by consumers as a general promotion only. The decision does deal with that in detail.

Against this background, the German Federal Supreme Court set aside the German Federal Patent Court decision and referred the matter back for further evaluation.

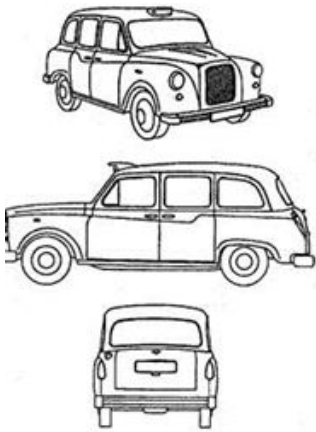
17. United Kingdom—EWHC—Shape marks—Is a shape mark’s “iconic” status sufficient to demonstrate that it has a distinctive character?

The High Court of England and Wales had a number of cases in 2016 dealing with the infringement of non-traditional marks. In light of the High Court ruling in *Société des Produits Nestlé SA v. Cadbury UK Ltd*¹⁰¹ (discussed above), it is also worth briefly considering a second shape mark case on which it gave judgment during the year. The case, *The London Taxi Corporation Limited*

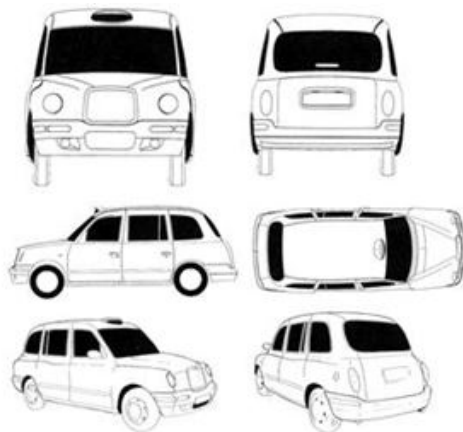
101. *Société des Produits Nestlé SA v. Cadbury UK Ltd*, [2016] EWHC 50 (Ch) (Jan. 20, 2016).

(t/a *The London Taxi Company*) v. *Frazer-Nash Research Limited and Ecotive Limited*,¹⁰² was a dispute relating to the shape of London’s iconic taxis.

The London Taxi Corporation (“LTC”) is the successor in title to the manufacturers of the Fairway, TXI, TXII, and TX4 London taxis, and claims goodwill in the shapes of all four models. It also owns an EUTM for the shape of the “Fairway” London taxi, (below left) and a UK registered trademark for the shape of the “TXI/TXII” London taxi (see below). Both marks were registered in Class 12 in relation to vehicles, including taxis.



EUTM No. 951871



UKTM No. 2440659

The defendants, successors in title to the manufacturers of the “Oxford” and “Metrocab” taxis, were accused (unsuccessfully) of threatening to infringe and pass off the LTC’s trademarks by marketing a new model of Metrocab taxi that, LTC alleged, closely



A TX4 (left) shown next to the new Metrocab

102. *The London Taxi Corporation Limited (t/a The London Taxi Company) v. Frazer-Nash Research Limited and Ecotive Limited*, [2016] EWHC 52 (Ch) (Jan. 20, 2016).

resembled LTC's models (see below). The defendants' counterclaim, that the trademarks were invalid because they lacked distinctive character and added substantial value to the goods, will be considered here.

The English High Court found that the average consumers of taxis were taxi drivers, who could be expected to pay attention to the trade origins of taxis as "knowledgeable and careful"¹⁰³ purchasers of taxis, which are both costly and specialist goods. While the Court accepted that taxi drivers were likely to take into account the public's (perceived) responses to taxis' shapes when deciding on which one to buy, it rejected the LTC's contention that the taxi-hiring public could be considered the end users of the goods and thus average consumers of taxis. Rather, it found that they were consumers of taxi services and could see no particular reason why they should care about the trade origin of a taxi, providing it was properly licensed, met their preconceptions about London taxis, and was sufficiently comfortable and reliable. This was a blow to the LTC's case, as its submissions relied, to a large extent, on the assumption that the average consumers of taxis included the taxi-hiring public.

The English High Court ruled that neither the EUTM nor the UK registered trademark had an inherently distinctive character. It found that while the trademarks in question did look different from other cars, especially in that they were particularly similar to 1950s cars, in the Court's view each trademark was "merely a variation of the typical shape of a taxi . . . [and] of the typical shape of a car."¹⁰⁴ Moreover, neither could be perceived as identifying the origin of the goods. The marks were therefore devoid of inherent distinctive character, and were thus liable to be declared invalid unless they could be supported by a finding of acquired distinctiveness.

Reaffirming his own earlier ruling in *Société des Produits Nestlé SA v. Cadbury UK Ltd*,¹⁰⁵ Mr. Justice Arnold found that "in order to demonstrate that a sign has acquired distinctive character, the applicant or trademark proprietor must prove that, at the relevant date, a significant proportion of the relevant class of persons perceives the relevant goods or services as originating from a particular undertaking *because of* the sign in question (as opposed to any other trademark which may also be present.)"¹⁰⁶ As the LTC's case focused on the proposition that the trademark had become distinctive to a significant proportion of consumers of taxi services

103. *Id.* ¶ 163.

104. *Id.* ¶ 74.

105. *Société des Produits Nestlé SA v. Cadbury UK Ltd*, [2016] EWHC 50 (Ch) (Jan. 20, 2016).

106. *The London Taxi Corporation Limited (t/a The London Taxi Company) v. Frazer-Nash Research Limited and Ecotive Limited*, [2016] EWHC 52 (Ch) ¶ 178 (Jan. 20, 2016).

in the United Kingdom, the Court assessed the evidence presented to the court from the perspective of both average consumers (taxi drivers) and the taxi-hailing public. However, the LTC failed to provide any evidence that either taxi drivers or consumers of taxi services “perceive taxis embodying the [EUTM] or UKTM as emanating from the [LTC] because of their shapes as opposed to the conventional trademarks under and by reference to which the vehicles are sold.” Publicity for the taxis failed to convey the message that their shape indicated their trade origin, while evidence of their “iconic” status simply showed that they were well-known and affectionately regarded as symbols of London. Instead, their trade origin was more likely to be indicated by badges on the front and rear of the vehicles. The Court therefore found that the trademarks did not have the acquired distinctive character claimed by LTC.

The English High Court then moved on to consider the other challenges to trademarks. In addition to finding that the EUTM should be revoked because of non-use—production of the Fairway having ceased and been superseded by the production of later models of taxi that were distinct from the EUTM—it held that both marks were invalid under Article 3(1)(e)(iii) of the TM Directive, as they consisted solely of the shape that gives substantial value to the goods. In the Court’s view, this was made abundantly clear by the LTC’s own arguments in favor of the shape marks’ acquired distinctiveness, which emphasized the fact that average UK consumers would immediately recognize the shape of LTC’s taxis as being that of a London taxi, and so place value on it. The Court also noted that the UKTM was protected by a registered design, while the EUTM could clearly have been protected in the same way. Drawing on the opinion of the Advocate General and ruling of the CJEU in *Hauck GmbH & Co KG v. Stokke A/S* (Case C-205/13) concerning the “Tripp Trapp” chair¹⁰⁷ (discussed in the [Annual Review of EU Trademark Law: 2013 in Review](#) and the [Annual Review of EU Trademark Law: 2014 in Review](#)¹⁰⁸), the English High Court held that a key purpose of Article 3(1)(e)(iii) of the TM Directive was to prevent registered trademarks from being used to extend other IP rights, such as registered designs, which would otherwise have a time limit. It therefore found that to uphold the validity of the trademarks would be to allow the LTC would gain a permanent monopoly on the shape of the goods, rather than a 25-

107. *Hauck GmbH & Co KG v. Stokke A/S*, Case C-205/13, [2014] ECR-I____ (CJEU, Sept. 18, 2014) (EU:C:2014:2233) (*Hauck*) and Opinion of Advocate General Szpunar, *Hauck GmbH & Co KG v. Stokke A/S*, *Hauck GmbH & Co KG v. Stokke A/S*, Case C-205/13, [2014] ECR-I____ (CJEU, Sept. 18, 2014) (EU:C:2014:322).

108. Guy Heath, *Annual Review of EU Trademark Law: 2013 in Review*, 104 TMR 445, 526 (2014) and Guy Heath, *Annual Review of EU Trademark Law: 2014 in Review*, 105 TMR 475, 513 (2015).

year monopoly by virtue of its registered design, contrary to the intent of the TM Directive.

The English High Court's ruling on invalidity echoes the tough stance being taken by the EU General Court and the CJEU in relation to shape marks. The English court is particularly keen not to allow evidence of a mere widespread recognition of particular shapes to be regarded as a passport to a finding of validity when those shapes have been registered as trademarks.

18. Austria—Austrian Supreme Court (OGH)—When is the assessment of the public perception of a trademark a question of law?

The judgment of the Austrian Supreme Court in *Kornspitz*,¹⁰⁹ Case No. OGH 11.8.2015, 4 Ob 63/15s, follows on from a preliminary ruling of the CJEU on March 6, 2014, *Backaldrin Österreich The Kornspitz Company GmbH v. Pfahnl Backmittel GmbH*.¹¹⁰ That CJEU decision was reported in the [*Annual Review of EU Trademark Law: 2014 in Review*](#).¹¹¹

The main action in *Kornspitz* involved an application to revoke the defendant's word mark KORNSPITZ, which was protected as an Austrian registered trademark in Class 30 of the Nice Classification for (among other things) flour and preparations made from cereals; bread, pastries, and pre-formed dough. The defendant is a manufacturer of a baking mixture that it sells to the trade under the KORNSPITZ trademark. The baking mixture is used by Austrian bakeries to produce a typical whole-wheat bread roll. Such rolls are very popular in Austria. The evidence was that, although the bakeries know that KORNSPITZ is a trademark, the bakeries sold the bread rolls to the public without, in most cases, any reference to the fact that KORNSPITZ was a trademark.

The claimant, a competitor of the defendant, filed for the cancellation of the trademark under Section 33b of the Austrian Trademark Protection Act, which is equivalent to Article 12(2)(a) of the TM Directive. This provides that a trademark becomes liable to revocation if, after the date on which it was registered, in consequence of the acts or inactivity of the trademark owner, it has become the common name in the trade for a product or service in respect of which it is registered.

The invalidity claim succeeded at first instance, and was then appealed to Austria's Oberster Patent-und Markensenat. That appeal gave rise to the CJEU reference noted above. In essence, the

109. Case No. 4 Ob 63/15s (Austrian Supreme Court, Aug. 11, 2015) (KORNSPITZ).

110. *Backaldrin Österreich The Kornspitz Company GmbH v. Pfahnl Backmittel GmbH*, Case C-409/12 [2014] ECR I-___ (CJEU, Mar. 6, 2014) (EU:C:2014:130).

111. Guy Heath, *Annual Review of EU Trademark Law: 2014 in Review*, 105 TMR 526 (2015).

appeal court wanted to know whether the views of the Austrian consuming public ought to be regarded as decisive when considering whether or not the term “KORNSPITZ” had become generic within the meaning of Article 12(2)(a). According to the terms in which the question was raised with the CJEU by the Austrian Court, the Austrian public had come to regard the term as a common name for this kind of bread roll. On the other hand, the trade—the bakers—had remained aware of the trademark significance of the term. The CJEU ruled in 2014 that, in a case like this, the views of the end users (here, the consuming public) would play a decisive role. But it noted that the facts at issue in the Austrian proceedings—i.e., the facts to which the CJEU’s ruling would need to be applied—were still subject to verification by the referring Austrian court.

One of the other questions raised with the CJEU by the Austrian Oberster Patent- und Markensenat concerned that element of Article 12(2)(a) relating to “inactivity of the proprietor.” To render a registration liable to revocation under this Article, it is not enough that the mark should have passed into the language; this must have been the result of the brand owner’s inactivity. This raised the question of the responsibility that the brand owner bore in ensuring that the trademark status of the term KORNSPITZ was passed onto the consuming public. On this point, the CJEU ruled that since the bakers were not (according to the statement of facts before the CJEU) generally informing their own customers that the name by which the final product was known is a registered trademark, and were thereby contributing to the term’s slide into the language, the trademark owner’s failure to take steps to encourage the sellers to make more use of the trademark could be classified as inactivity for these purposes.

Following the CJEU’s ruling, the case then went back to the Austrian courts, which had to decide on the merits of the case and, specifically, (a) whether the perspectives, respectively, of the bakers and the consuming public were indeed as had been recorded in the reference to the CJEU; and (b) whether or not the trademark owner had actually taken sufficient steps to try to protect the trademark in the circumstances.

The Higher Regional Court of Vienna, which (as a result of the amendment of the Austrian Trademark Act in 2014) had replaced the Oberster Patent- und Markensenat as the court competent to handle such appellate proceedings, had to decide on the case in light of the CJEU’s ruling. It rejected new evidence submitted with the appeal on the basis of legal principle. The Higher Regional Court of Vienna distinguished between the situation concerning the product ingredients covered by the trademark specification, on the one hand, and the finished products covered by the trademark specification. Concerning the product ingredients, the Court held that, as was to be taken from the evidence, the relevant public for such products—

which are predominantly bakers and grocers—have always been aware that KORNSPITZ is a trademark. Therefore, the invalidity claim had to be rejected in this aspect. However, regarding the finished products intended for consumption, the Higher Regional Court of Vienna confirmed the ruling of the court of first instance, since for such products the trademark primarily addresses consumers who understand KORNSPITZ as a common denomination for a certain finished bread roll. The Higher Regional Court held that this consumer understanding was the result of the fact that the defendant had not positioned KORNSPITZ as a trademark toward end consumers. The defendant had failed to take steps to create sufficient awareness of the fact that KORNSPITZ was an indication of origin and hence a protected trademark. The Higher Regional Court of Vienna having therefore confirmed that the KORNSPITZ mark should be revoked for the finished product—bread rolls and the like—the trademark owner appealed again to the Austrian Supreme Court.

In its final ruling, the Austrian Supreme Court refused to reopen the evidential position. The Supreme Court held that, in line with established Austrian case law, the evaluation of the perception of a trademark is a matter of law and not a matter of fact if, for purposes of such assessment, the general experience of life held by the tribunal is sufficient to answer the question. An evaluation of supporting evidence would be necessary only if there is sufficient doubt that the question at stake can be decided on the basis of the life experience of the deciding judges. In such circumstances, where the second instance judges apply experience of life that the trademark in question has become the common name for the pastry in the course of trade with consumers, the empirical judgments are to be regarded as a legal decision that can be the subject of review by the Austrian Supreme Court. If the Austrian Supreme Court considers them to be wrong, it can reach a different decision and, in cases of doubt, the Austrian Supreme Court may also decide to hear evidence itself. In the case at hand the Austrian Supreme Court considered the Higher Regional Court's assessment to have been satisfactory. Therefore, the Higher Regional Court of Vienna's decision to reject the evidence submitted in the appeal was upheld by the Austrian Supreme Court.

The Austrian Supreme Court also confirmed the earlier judgment of the Higher Regional Court of Vienna that the trademark owner had been inactive within the meaning of Article 12(2)(a) of the TM Directive, in failing to advise its own customers, the bakers, to inform the public of the trademark significance of KORNSPITZ.

The result was therefore to confirm the revocation of the KORNSPITZ trademark in relation to the goods sold to the end consumer, on Article 12(2)(a) grounds.

IV. RELATIVE GROUNDS FOR REFUSAL OF REGISTRATION—CONFLICT WITH EARLIER RIGHTS

A. Introductory Comments

This Part IV relates to claims that a trademark should be refused registration, or that the registration should be declared invalid, on the basis of its conflict with an “earlier right.” The earlier right is most commonly an earlier registered trademark or trademark application, but there is also the possibility of challenge based on various kinds of unregistered rights.

So far as concerns conflict with earlier registered trademarks or trademark applications, there are three bases on which the application may be refused (or, if already registered, declared to be invalid):

- (a) where the mark applied for is identical to the earlier mark, and the goods for which the applicant seeks to register it are identical to those for which the earlier mark is protected. The rules on “double-identity” cases of this kind are contained in Article 8(1)(a) of the EUTM Regulation and Article 4(1)(a) of the TM Directive (Article 5 (1)(a) of the recast version);
- (b) where the mark applied for is identical or similar to the earlier mark, the goods for which the applicant seeks to register it are identical or similar to those for which the earlier mark is protected, and there is as a result a likelihood of confusion. This is, naturally, where most of the case law arises. The provisions on this are set out in Article 8(1)(b) of the EUTM Regulation and Article 4(1)(b) of the TM Directive (Article 5(1)(b) of the recast version); and
- (c) where the use of the mark applied for would offend either or both of the EU law principles of what may (for convenience) be called trademark dilution and unfair advantage.

The rules on dilution and unfair advantage apply only in situations in which the earlier mark has a reputation in the EU, or in the relevant part of the EU. Claims of this type may be brought irrespective of whether the application being contested covers goods or services similar to those for which the earlier mark is protected or has acquired its reputation. A certain similarity between the marks is still a requirement, although it need not be of a degree likely to result in confusion. The basis for such claims is that the use of the junior mark would take unfair advantage of, or be detrimental to, the distinctive character or the reputation of the senior mark.

The dilution and unfair advantage rules relating to EU trademarks are found in Article 8(5) of the EUTM Regulation. The corresponding rule relating to applications proceeding before the national trademark authorities of the EU Member States (which

presents it as an optional ground of refusal) is set out in Article 4(4)(a) of the TM Directive (Article 5(3)(a) of the recast version).

There is a wide range of possibilities for challenges to trademark applications (or, by way of cancellation action, to registered marks) based on other types of earlier rights. These include claims based on unregistered trademarks, copyright, and protected geographical indications. Relevant provisions are found in Articles 8(4) and Article 53(2) of the EUTM Regulation and Article 4(4) of the TM Directive (Articles 5(3) and 5(4) of the recast version).

This Part contains two cases from the CJEU, followed by six from the EU General Court. There are then six cases from the national courts of the EU Member States—Spain, Germany, Sweden, Luxembourg, and the Netherlands.

The two CJEU cases address the same issue—in which the correspondence between the two marks alleged to be in conflict exists in relation to a weak element. The other cases address a wide-ranging subject matter including family of marks arguments, the use of earlier unregistered rights to contest EUTM applications, and opposition claims based on trademark dilution and unfair advantage grounds.

B. Legal Texts

(Note: the quoted texts are pre-2016. See Introduction)

Article 8 of the EUTM Regulation

1. Upon opposition by the proprietor of an earlier trademark, the trademark applied for shall not be registered:
 - (a) if it is identical with the earlier trademark and the goods and services for which registration is applied for are identical with the goods or services for which the earlier trademark is protected;
 - (b) if because of its identity with, or similarity to, the earlier trademark and the identity or similarity of the goods or services covered by the trademarks there exists a likelihood of confusion on the part of the public in the territory in which the earlier trademark is protected; the likelihood of confusion includes the likelihood of association with the earlier trademark.
2. For the purposes of paragraph 1, “earlier trademarks” means:
 - (a) trademarks of the following kinds with a date of application for registration which is earlier than the date of application for registration of the [EUTM], taking account, where appropriate, of the priorities claimed in respect of those trademarks:
 - (i) EU trademarks;

- (ii) trademarks registered in a Member State, or, in the case of Belgium, the Netherlands or Luxembourg, at the Benelux Office for Intellectual Property;
 - (iii) trademarks registered under international arrangements which have effect in a Member State;
 - (iv) trademarks registered under international arrangements which have effect in the [Union];
 - (b) applications for the trademarks referred to in subparagraph (a), subject to their registration;
 - (c) trademarks which, on the date of application for registration of the [EUTM], or, where appropriate, of the priority claimed in respect of the application for registration of the [EUTM], are well known in a Member State, in the sense in which the words “well known” are used in Article 6^{bis} of the Paris Convention.
3. Upon opposition by the proprietor of the trademark, a trademark shall not be registered where an agent or representative of the proprietor of the trademark applies for registration therefor in his own name without the proprietor’s consent, unless the agent or representative justifies his action.
4. Upon opposition by the proprietor of a non-registered trademark or of another sign used in the course of trade of more than mere local significance, the trademark applied for shall not be registered where and to the extent that, pursuant to the [EU] legislation or the law of the Member State governing that sign:
- (a) rights to that sign were acquired prior to the date of application for registration of the [EUTM], or the date of the priority claimed for the application for registration of the [EUTM];
 - (b) that sign confers on its proprietor the right to prohibit the use of a subsequent trademark.
5. Furthermore, upon opposition by the proprietor of an earlier trademark . . . the trademark applied for shall not be registered where it is identical with, or similar to, the earlier trademark and is to be registered for goods or services [*which are not similar to those for which the earlier trademark is registered*], where, in the case of an earlier [EUTM] , the trademark has a reputation in the [Union] and, in the case of an earlier national trademark, the trademark has a reputation in the Member State concerned and where the use without due cause of the trademark applied for would take unfair advantage of, or be

detrimental to, the distinctive character or the repute of the earlier trademark.

[Note: The italicized wording appearing above in square brackets should, effectively, be ignored, as a result of CJEU case law. In other words, the rule applies whether or not the goods and services in question are similar, and also applies where the goods and services are identical.]

Article 53 of the EUTM Regulation

- (1) [An EUTM] shall be declared invalid on application to the [EUIPO] or on the basis of a counterclaim in infringement proceedings:
 - (a) where there is an earlier trademark as referred to in Article 8(2) and the conditions set out in paragraph 1 or paragraph 5 of that Article are fulfilled;
 - (b) where there is a trademark as referred to in Article 8(3) and the conditions set out in that paragraph are fulfilled;
 - (c) where there is an earlier right as referred to in Article 8(4) and the conditions set out in that paragraph are fulfilled.
- (2) [An EUTM] shall also be declared invalid on application to the [EUIPO] or on the basis of a counterclaim in infringement proceedings where the use of such trademark may be prohibited pursuant to another earlier right under [EU] legislation or national law governing its protection, and in particular:
 - (a) a right to a name;
 - (b) a right of personal portrayal;
 - (c) a copyright;
 - (d) an industrial property right.

[Note: Articles 53(3) and 53(4) have been omitted.]

Article 4 of the TM Directive

1. A trademark shall not be registered or, if registered, shall be liable to be declared invalid:
 - (a) if it is identical with the earlier trademark, and the goods or services for which registration is applied for or is registered are identical with the goods or services for which the earlier trademark is protected;
 - (b) if because of its identity with, or similarity to, the earlier trademark and the identity or similarity of the goods or services covered by the trademarks, there exists a likelihood of confusion on the part of the public; the

likelihood of confusion includes the likelihood of association with the earlier trademark.

2. “Earlier trademarks” within the meaning of paragraph 1 means:
 - (a) trademarks of the following kinds with a date of application for registration which is earlier than the date of application for registration of the trademark, taking account, where appropriate, of the priorities claimed in respect of those trademarks;
 - (i) [EUTMs];
 - (ii) trademarks registered in the Member State or, in the case of Belgium, Luxembourg or the Netherlands, at the Benelux Office for Intellectual Property;
 - (iii) trademarks registered under international arrangements which have effect in the Member State;
 - (b) [EUTMs] which validly claim seniority, in accordance with [the EUTM Regulation] from a trademark referred to in (a)(ii) and (iii), even when the latter trademark has been surrendered or allowed to lapse;
 - (c) applications for the trademarks referred to in points (a) and (b), subject to their registration;
 - (d) trademarks which, on the date of application for registration of the trademark, or, where appropriate, of the priority claimed in respect of the application for registration of the trademark, are well known in a Member State, in the sense in which the words “well known” are used in Article 6^{bis} of the Paris Convention.
3. A trademark shall furthermore not be registered or, if registered, shall be liable to be declared invalid if it is identical with, or similar to, an earlier [EUTM] within the meaning of paragraph 2 and is to be, or has been, registered for goods or services [*which are not similar to those for which the earlier [EUTM] is registered*], where the earlier EU trademark has a reputation in the Union and where the use of the later trademark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier [EUTM].
4. Any Member State may, in addition, provide that a trademark shall not be registered or, if registered, shall be liable to be declared invalid where, and to the extent that:
 - (a) The trademark is identical with, or similar to, an earlier national trademark within the meaning of paragraph 2 and is to be, or has been, registered for goods or services

[which are not similar to those for which the earlier trademark is registered], where the earlier trademark has a reputation in the Member State concerned and where the use of the later trademark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trademark;

- (b) rights to a non-registered trademark or to another sign used in the course of trade were acquired prior to the date of application for registration of subsequent trademark, or the date of the priority claimed for the application for registration of the subsequent trademark, and that non-registered trademark or other sign confers on its proprietor the right to prohibit the use of a subsequent trademark;
- (c) the use of the trademark may be prohibited by virtue of an earlier right other than the rights referred to in paragraph 2 and point (b) of this paragraph and in particular:
 - (i) a right to a name;
 - (ii) a right of personal portrayal;
 - (iii) a copyright;
 - (iv) an industrial property right;
- (d) the trademark is identical with, or similar to, an earlier collective trademark conferring a right which expired within a period of a maximum of three years preceding application;
- (e) the trademark is identical with, or similar to, an earlier guarantee or certification mark conferring a right which expired within a period preceding application the length of which is fixed by the Member State;
- (f) the trademark is identical with, or similar to, an earlier trademark which was registered for identical or similar goods or services and conferred on them a right which has expired for failure to renew within a period of a maximum of two years preceding application, unless the proprietor of the earlier trademark gave his agreement for the registration of the later mark or did not use his trademark;
- (g) the trademark is liable to be confused with a mark which was in use abroad on the filing date of the application and which is still in use there, provided that at the date of the application the applicant was acting in bad faith.

5. The Member States may permit that in appropriate circumstances registration need not be refused or the trademark need not be declared invalid where the proprietor of the earlier trademark or other earlier right consents to the registration of the later trademark.
6. Any Member State may provide that, by derogation from paragraphs 1 to 5, the grounds for refusal of registration or invalidity in force in that State prior to the date of the entry into force of the provisions necessary to comply with the [TM Directive], shall apply to trademarks for which application has been made prior to that date.

[Note: Again, by virtue of CJEU case law, the italicized wording appearing above in square brackets is effectively to be ignored. In other words the rule applies whether or not the goods and services in question are similar, including situations where the goods and services are identical.]

C. Cases

1. EU—CJEU—Can an Article 8(1)(b) case succeed where the marks correspond in a weak element?

Case C-43/15, *BSH Bosch und Siemens Hausgeräte GmbH v. (EUIPO), LG Electronics Inc.*,¹¹² represents a strong but ultimately doomed attack on what is now an established tenet of EU opposition practice: that (all other things being equal) the fact that the two trademarks correspond closely is liable to result in a successful opposition irrespective of the fact that the feature in which they correspond has little distinctiveness. The CJEU's decision was given on November 8, 2016.

The case concerns an opposition to the mark shown here:



The marks relied on in the opposition, owned by the South Korean company LG Electronics Inc., were KOMPRESSOR and KOMPRESSOR PLUS. One of the LG marks was an EUTM; others

¹¹².BSH Bosch und Siemens Hausgeräte GmbH v. (EUIPO), LG Electronics Inc., Case C-43/15 [2016], ECR I-___ (CJEU, Nov. 8, 2016) (KOMPRESSOR) (ECLI:EU:C:2016:837).

were national registrations in France, Spain, and the United Kingdom. The registrations were for a range of (primarily) household appliances in Classes 7 and 11. The opposed mark had been filed for goods in Classes 7, 9, and 11, including vacuum cleaners, air conditioners, and refrigerators.

The opposition succeeded in substantial part for a wide range of goods in each of these three classes. Although there was a degree of movement as to the specification of goods for which the opposition should succeed, the opponent LG continued to enjoy success during the applicant's appeals to the EUIPO's Board of Appeal and, subsequently, to the EU General Court under Article 8(1)(b) of the EUTM Regulation.

On final appeal to the CJEU, the applicant, BSH Bosch und Siemens Hausgeräte GmbH ("BSH"), relied on two pleas, just one of which is noted here. BSH argued that the EU General Court had relied on an erroneous understanding of the concept of likelihood of confusion, the effect of which is that, if two trademarks coincide regarding a purely descriptive element, that is sufficient to give rise to such a likelihood of confusion, thereby leading to the monopolization of a purely descriptive indication, a situation that Article 7(1)(b) and (c) of the EUTM Regulation—absolute grounds for refusal of registration on the basis that the mark lacks descriptiveness or is descriptive—are, however, intended to prevent.¹¹³

BSH's position was that the sign KOMPRESSOR was descriptive in respect of goods containing, or of a kind liable to contain, a compressor—such as vacuum cleaners, air conditioners, and refrigerators. The marks being relied on by LG ought therefore to be regarded as possessing only minimal distinctive character. That being the case, even slight differences between the LG marks and BSH's mark would preclude any likelihood of confusion.

The EUIPO Board of Appeal had noted that neither the marks relied on by LG nor the application mark were particularly distinctive, but had emphasized what it considered a high degree of similarity between the marks, as well as the fact that the goods were identical. The EU General Court, for its part, had observed that "to accept BSH's argument would have the effect of disregarding the similarity of the marks as a factor in favour of the factor constituted by the distinctive character of the earlier mark, which would thus be given undue importance."¹¹⁴

The CJEU upheld the General Court's approach, which it held to be in line with previous CJEU case law. Citing *Fetim v. OHIM*

113. *Id.* ¶ 47.

114. BSH Bosch und Siemens Hausgeräte GmbH v. (EUIPO), LG Electronics Inc., Case C-43/15 ¶ 58.

(C-190/15P, EU:C:2015:778),¹¹⁵ it noted that “although it is true that the more distinctive the earlier mark the greater the likelihood of confusion will be, such a likelihood of confusion cannot, however, be precluded where the distinctive character of the earlier mark is weak.”¹¹⁶

It was settled case law that an approach that disregarded similarity between the marks as a factor, in favor of “the factor constituted by the distinctive character of the earlier mark” would be inconsistent with the requirement for a global assessment of the likelihood of confusion by reference to all relevant factors. The CJEU cited the order in *Fetim v. OHIM* (C-190/15 P)¹¹⁷ and the judgment of March 15, 2007, *T.I.M.E. ART v. OHIM* (C-171/06 P).¹¹⁸

BSH argued that the case law on the issue was simply wrong. It argued that this approach leads to the monopolization of a purely descriptive indication. The CJEU disagreed, holding that any issues relating to the monopolization of descriptive terms are the province of the absolute grounds for refusal of registration (i.e., the provisions of Article 7(1) of the EUTM), and not the provisions dealing with relative grounds for bringing opposition based on earlier rights.)

The CJEU went on to note that, as had also already been firmly established in case law, for purposes of an opposition, any national rights on which (as here) reliance was placed must be acknowledged to have at least a certain degree of distinctiveness. Any doubts as to that would have to be dealt with separately, in invalidity proceedings. In this case, the national rights provided the main obstacle because the one EU trademark relied on, KOMPRESSOR PLUS, had been refused registration for vacuum cleaners on the grounds of lack of distinctiveness. The CJEU refused to entertain the argument that this EUIPO refusal could affect the view to be taken of the earlier national registrations for KOMPRESSOR, which did cover vacuum cleaners.

The CJEU, finally, rejected BSH’s argument that where a trademark reproduces, with slight differences, a weak earlier trademark, it may be anticipated that consumers would suppose the differences to denote a different trade origin. The CJEU considered that consumers might ascribe the differences rather to a possible variation in the nature of the products, or to derive from marketing considerations.

115. *Fetim v. OHIM*, C-190/15P ¶ 40, [2015] ECR I-____ (CJEU, Nov. 19, 2015) (SOLIDfloor) (EU: C: 2015:778).

116. *BSH Bosch und Siemens Hausgeräte GmbH v. (EUIPO), LG Electronics Inc.*, Case C-43/15 ¶ 62.

117. *Fetim v. OHIM*, C-190/15P ¶ 46, [2015] ECR I-____ (CJEU, Nov. 19, 2015) (SOLIDfloor) (EU: C: 2015:778).

118. *T.I.M.E. ART v. OHIM*, Case C171/06 P ¶ 41, [2007] ECR I-____(CJEU, Mar. 15, 2007) (EU:C:2007:171).

The case is unsatisfactory because it approaches the matter in black-and-white terms. BSH did not appear to be arguing that the similarity of the marks should be ignored in view of the lesser distinctiveness of the mark. It was arguing more for a calibrated approach in which that lack of distinctiveness would be given sufficient weight when the various factors were put into the balance as part of the global assessment.

2. EU—CJEU—In an opposition case based on the reputation that has been acquired by the earlier mark, what is the impact of an argument that the earlier mark has a low inherent distinctiveness?

Case C-396/15P, *Shoe Branding Europe BVBA v. adidas AG*,¹¹⁹ concerns an appeal to the CJEU by an applicant for a footwear trademark that had been opposed by adidas AG. The decision, which was adverse to the applicant, was handed down on February 17, 2016.

The contested application was in Class 25, for footwear. The application mark is shown here:



The opposition was based on rights that included the figurative EU trademark shown here:



The adidas opposition failed, as did an appeal, but the EU General Court annulled the appeal decision. The applicant then, in turn, appealed to the CJEU.

The part of the appeal decision worthy of note concerns its discussion of the relationship between the inherent distinctiveness of adidas' three-stripes mark and its acquired distinctive character. The applicant noted that the EUIPO Board of Appeal had weighed

¹¹⁹ *Shoe Branding Europe v. adidas*, Case C-396/15P, [2016] ECR I-___ (CJEU, Feb. 17, 2016) (ECLI:EU:C:2016:95).

the lack of inherent distinctiveness of the three-stripes mark against the strength of the reputation that the mark had acquired, in the determination of the likelihood of confusion.

The EU General Court, for its part, had noted (in paragraphs 62 and 63 of its own decision):

“Whereas a company is certainly free to choose a trademark with a low or even non-distinctive character and use it on the market, it must accept, however, in so doing, that competitors are equally entitled to use marks with similar or identical non-distinctive components. . . . The interdependence principle” cannot only be applied in one direction. It must be applied both ways. This implies that the scope of protection of trademarks with a weak distinctive character is weaker, correspondingly.¹²⁰

However, despite this the EU General Court had gone on to find for the opponent. The applicant argued that, in so doing, it had failed to take account of the analysis pertaining to the (low) distinctiveness of the opponent’s three-stripe mark.

The CJEU rejected this argument as manifestly unfounded. A mark with a highly distinctive character—whether inherent or acquired—enjoys a wider sphere of protection than one with a lesser distinctive character. The CJEU pointed out that adidas’s mark had been found to have a reputation, and held that “it is irrelevant to prove the inherent distinctive character of that mark in order to obtain a finding that it has a distinctive character.”¹²¹

In other words, once the three-stripes mark had been found to have a significant reputation, it was effectively to be given a wider protection, including against the two-stripes mark of the applicant, without any consideration being paid to its weak inherent character.

The case cited by the CJEU as authority for this was its own judgment in *L&D SA v. OHIM*.¹²² The *L&D* case found that, while a mark may possess a very weak inherent distinctive character (in that case, because it was simply the shape of the product) this fact cannot cast doubt on a finding that the use made of that mark had conferred a distinctive character on it.

The *L&D* ruling would not appear at face value to have precluded arguments that, notwithstanding a strong acquired distinctiveness, weaknesses in a mark’s inherent distinctive character could nevertheless play an important role in excluding a likelihood of confusion in a given case where, as here, there was an appreciable point of difference between the earlier mark (or marks)

120. *adidas AG v. OHMI—Shoe Branding Europe*, Case T-145/14 ¶ 62, 63 [2015] ECR II-___ (GC, May 21, 2015) (EU:T:2015:303).

121. *Shoe Branding Europe v. adidas*, Case C-396/15P ¶ 75, [2016] ECR I-___ (CJEU, Feb. 17, 2016) (ECLI:EU:C:2016:95).

122. *L&D SA v. OHIM*, Case C-488/06 P ¶ 65, 67, [2008] ECR I-05725 (CJEU, Jul. 14, 2008) (EU:C:2008:420).

in question and the application mark. However, this present ruling by the CJEU does seem to treat the *L&D* ruling in that way.

3. EU—EU General Court—Could the use of a “family of marks” argument strengthen an “unfair advantage” challenge based on the mark from which the family has been derived?

The EU General Court delivered its judgment on the case *Future Enterprises Pte Ltd v. EUIPO*, on July 5, 2016.¹²³ The dispute relates to the trademark MACCOFFEE, registered as an EUTM, which the restaurant chain McDonald’s claimed took unfair advantage of its earlier marks. The Court’s judgment, that the MACCOFFEE mark would take unfair advantage of McDonald’s marks, indicates the potential power of a “family of marks” argument in EUTM law and practice.

In January 2010, the Singaporean Company Future Enterprises Pte’s word mark MACCOFFEE was registered as an EUTM in respect of a range of food and beverage products in Classes 29, 30, and 32. The registration was challenged by McDonald’s in August 2010, which applied for a declaration of the contested mark’s invalidity under Articles 8(1)(a) and (b), Article 8(2)(c) and Article 8(5) of the EUTM Regulation. McDonald’s challenge was based on the German registered trademark McDONALD’S, for goods and services in Classes 29, 30, 32, and 42, in addition to twelve EUTMs, including: McDONALDS, for goods and services in Classes 29, 30, 32, and 42, BIG MAC and PITAMAC, for goods and services in Classes 29, 30, and 42; McTOAST and McMUFFIN for goods and services in Classes 29, 30, and 43; McFISH and McRIB, for goods and services in Classes 29 and 30; McFLURRY and CHICKEN McNUGGETS for goods and services in Class 29; and McCHICKEN, EGG McMUFFIN and McFEAST for goods and services in Class 30.

McDonald’s invalidity application was granted by the EUIPO Cancellation Division and upheld by the EUIPO Board of Appeal. Future Enterprises then appealed to the EU General Court to annul the Board of Appeal’s decision, disputing the EUIPO’s decision that there was a certain degree of similarity between the marks at issue, resulting in the ruling noted here.

The EU General Court proceedings primarily dealt with the question of whether or not there were grounds for invalidation pursuant to Article 8(5) of the EUTM Regulation. The issues before the EU General Court were primarily (a) whether or not the contested mark was similar to the earlier marks at issue, (b)

123. *Future Enterprises Pte Ltd v. EUIPO*, the other party to the proceedings before the Board of Appeal of EUIPO and intervener before the General Court being McDonald’s International Property Co. Ltd, Case T-518/13 [2016] ECR-II___ (GC, July 5, 2016) (EU:T:2016:389).

whether or not the use of the contested EUTM would take unfair advantage of the earlier EUTMs' distinctive character or repute, or be detrimental to their distinctive character or reputation; and (c) whether or not the owner of the contested mark could establish whether or not it had "due cause" to use the contested mark.

The EU General Court began by considering the degree of similarity between the marks, taking of the purposes of comparison the McDONALD'S mark with the MACCOFFEE mark. It found that the EUIPO Board of Appeal had been wrong to hold that the marks were visually similar: as the owner of the contested EUTM pointed out, only one of the marks included a typographical sign (i.e., the apostrophe in McDONALD'S), while they only had four letters in common, three of which did not occupy the same position in the marks at issue. However, the EU General Court rejected the appellant's submission regarding the phonetic comparison. Future Enterprises claimed that the prefixes of the two marks, "Mac" and "Mc", were pronounced differently. It noted that, in English, the double "c" in "MACCOFFEE" meant that it would be pronounced "mac cofi", whereas, the appellant claimed, "McDONALD'S" was pronounced "mc don alds," with the stress on the second "don" syllable. The EU General Court, on the other hand, found that the elements "mac" and "mc" were both pronounced "mac" or "mak," with the "a" being a murmured vowel. As prefixes of Gaelic surnames, they were traditionally pronounced in this way, and the English-speaking part of the relevant public that perceived them as such would pronounce them as "mac" or "mak." The Court went on to note that, even if the "a" in "mac" was fully pronounced and "mc" murmured, they remained similarly pronounced prefixes.

Future Enterprises also claimed that the marks were conceptually different; while it acknowledged that both prefixes were used in Gaelic surnames to mean "son of," it pointed out that its mark used a Gaelic prefix and a beverage, rather than a name. In that context, the appellant argued, the "mac" element was closer to the use of "mac" in American slang as a friendly way of greeting a stranger, such as "Hey Mac, you want a coffee?" The EU General Court disagreed. It held that the fact that the English-speaking part of the relevant public recognized them as prefixes of Scottish surnames meaning "son of" gave them a certain conceptual similarity. That the "mac" in MACCOFFEE was linked to a beverage, rather than a name, did not dim this association, as the relevant public would understand it as a reference to a beverage produced by a person of Scottish or Irish origin, rather than as American slang. The Court therefore found that, while the EU Board of Appeal had been wrong to find a level of visual similarity between the marks, they had an overall similarity due to the phonetic and conceptual similarity between "mac" and "mc."

The Court then looked to address the question of whether the relevant public would establish a link between the marks at issue. In particular, it considered whether a family of marks, characterized by the prefix “mc” taken from the McDONALD’S trademark, existed, and whether the MACCOFFEE mark had characteristics capable of associating it with such a “Mc” family of marks. It first looked to determine whether the intervener’s use of the prefix “Mc” combined with the name of a menu item or foodstuff, had acquired a distinctive character in relation to fast-food restaurant services and goods on the menus of such establishments, so that it would be capable of characterizing a family of marks.

The McDonald’s evidence demonstrated that it had obtained registration or registered numerous marks composed of the prefix “Mc” plus the name of a menu item or foodstuff, for fast-food services and goods sold on the menu of fast-food establishments, such as McFLURRY, CHICKEN McNUGGETS, McCHICKEN, and EGG McMUFFIN. It had also used the marks McMUFFIN, McRIB, McFLURRY, CHICKEN McNUGGETS, McCHICKEN and EGG McMUFFIN in Germany, and the marks McFLURRY, CHICKEN McNUGGETS, McCHICKEN and EGG McMUFFIN in the United Kingdom to designate goods on the menu of the fast-food restaurants and on advertising material. While McDonald’s did not provide evidence of the turnover achieved under each of these marks, it provided documents that established that, during the relevant periods, it had, around 1300 restaurants in Germany and around 1200 in the United Kingdom that made use of the marks. It also provided overall turnover figures for its German establishments. Assessing the evidence globally, the Court found that it demonstrated that McDonald’s had made actual use of the marks composed of “Mc” plus a menu item or foodstuff in Germany and the United Kingdom, and therefore in a substantial part of the territory of the EU.

The EU General Court held that the EUIPO Board of Appeal had been right to observe that the format that comprises the prefix “Mc” plus the name of a menu item or foodstuff had acquired through use a distinctive character for fast-food services and goods on the menu of fast-food establishments. This had also been recognized by national courts in Germany, Spain, Sweden, and the United Kingdom during the relevant period, and was supported by an independent survey carried out in 1991 and 1992. While the survey was conducted before the relevant period, the EU General Court found that the EUIPO Board of Appeal had been right to accept it as evidence, as there was no reason to conclude that the findings had been subsequently invalidated. The EU General Court therefore found that the evidence submitted by McDonald’s demonstrated that the use of marks including McMUFFIN, McRIB, McFLURRY, CHICKEN McNUGGETS, McCHICKEN, and EGG

McMUFFIN was sufficient to ensure that, during the relevant periods, the prefix “Mc” combined with the name of a menu item or foodstuff retained a distinctive character that it had previously acquired in relation to fast-food services and goods on the menu of fast-food establishments, at least in part of the EU’s territory.

In light of this finding, the EU General Court further noted that the marks derived from the McDONALD’S trademark (such as McFLURRY, McMUFFIN, and CHICKEN McNUGGETS) fulfilled all the conditions necessary to form a “family” of trademarks, being sufficient in number and reproducing in full the same distinctive element: the element “Mc,” taken from the McDONALD’S trademark, with the addition of a word element that differentiates them from each other. Comparing the MACCOFFEE mark to this family of marks, the Court held that as the contested mark’s prefix “Mac” would probably be perceived as being almost identical to the “Mc” in the family of marks. As the structure of the marks were very similar, and the prefixes occupied the same position and had the same semantic context, MACCOFFEE had characteristics capable of associating it with the “Mc” family of marks.

The EU General Court went on to hold that there was a certain degree of similarity between the goods and services and issue. It noted that the foods and beverages covered by the contested mark could be used and offered in the context of McDonald’s fast-food restaurant services, with certain of them corresponding to goods offered on the restaurants’ menus. There was, therefore, complementarity between those goods and services. It further pointed out that the goods in question could be consumed on the spot, or taken-away from the restaurants. In the case of take-away goods, consumers tend to establish links between the mark affixed to such goods’ packaging and to the goods’ commercial origin. The Court therefore found that there were close links between the goods and services in question, and so they were similar.

Taking the similarity between the marks, and between the goods and services in question, into account, the EU General Court addressed whether the question of whether or not use of the MACCOFFEE mark without would create a risk of unfair advantage being taken of the reputation of the McDONALD’S mark. It found that the similarities between the marks, and the close links between them, were such that the public would establish a mental link between the two mark. As such, “it was highly likely that the contested mark rode on the coat-tails of the McDONALD’S trademark, in order to benefit from its power of attraction, its reputation and its prestige, and exploited, without paying any financial compensation, the marketing effort made by the intervener in order to create and maintain the McDONALD’S

trademark.”¹²⁴ In particular, the Court found that there was a serious risk that the public would associate the MACCOFFEE mark with the “Mc” family of trademarks, and so a serious likelihood that the contested mark would take unfair advantage of the reputation of the McDONALD’S mark (the “Mc” family of marks being characterized by the prefix “Mc” taken from the McDONALD’S trademark).

Finally, the EU General Court rejected Future Enterprises’ claim that it had due cause to use the MACCOFFEE trademark as the marks had co-existed peacefully co-existed in Cyprus, Bulgaria, Estonia, Latvia, Hungary, and Poland since at least 1994. The Court, however, noted that, not only had the McDONALD’S mark been registered before the contested mark, but that McDONALD’S had brought an application for cancellation of the contested mark within seven months of its registration indicated that the marks could not be regarded as having been in peaceful co-existence. Furthermore, the speed with which the application for cancellation was brought meant that there could be no limitation in consequence of acquiescence in the present case. It was also clear from national court decisions in Germany, Spain, Sweden, and the United Kingdom, that the co-existence of the McDONALD’S trademark and the appellant’s national marks, which were identical to the contested mark, had not been peaceful. Therefore, even if the marks had peacefully co-existed in the countries in question, this was not the case throughout the EU. Finally, there remained the risk that the relevant public in the EU Member States in question would associate other national marks held by the appellant with the “Mc” family of marks and so establish a mental link between them.

Finding that none of the appellant’s claims had been upheld, the EU General Court therefore dismissed the application in its entirety and ordered Future Enterprises to pay the costs.

**4. EU—EU General Court—Comparison of marks—
Is a mark composed of a forename/surname
combination sufficiently distinguished from a mark
comprising simply the corresponding surname, in the
clothing sector?**

Case T-295/15, *Zhang v. EUIPO*,¹²⁵ intervener before the General Court being K & L Ruppert Stiftung & Co. Handels KG, concerns a EUIPO opposition case brought by the owners of the mark SMITH against Yongyu Zhang, applicant for the mark ANNA

124. *Id.* ¶ 99.

125. *Zhang v. EUIPO*, the other party to the proceedings before the Board of Appeal of the EUIPO, intervening before the General Court being K & L Ruppert Stiftung & Co. Handels KG, Case T-295/15, [2016] ECR II-___ (GC, Apr. 18, 2016) (ANNA SMITH) (EU:T:2016:234).

SMITH. The decision of the EU General Court was handed down on April 18, 2016.

The opposition was brought under Article 8(1)(b) of the EUTMR, based on the earlier EU trademark SMITH in Classes 18 and 25. The goods identified in the contested ANNA SMITH application were essentially identical to those of the earlier mark—bags, clothing, footwear, and headgear.

The opposition failed before the EUIPO Opposition Division, but this was reversed on appeal to the Board of Appeal (Case R 1559/2014-5). The applicant, in turn, appealed to the EU General Court, and lost.

The applicant claimed that the principle that a similarity exists between two marks where the later mark is composed exclusively of the earlier mark plus another verbal element did not apply in this kind of case. It argued that this only applied to marks composed of invented terms, rather than to the names of natural persons. This was refuted by the EU General Court, which noted that the judgment of *Murúa Entrena v. OHIM—Bodegas Murúa*¹²⁶ (Case T-40/03) indicated that the names of people are subject to the same assessment criteria for registration as other marks.

The EU General Court also rejected the applicant's argument that the Board of Appeal had wrongly considered the name "Smith" to be more distinctive than the first name "Anna," which the applicant claimed was uncommon in the European Union and at least as distinctive in character as "Smith." The EU General Court found this argument to be somewhat beside the point. Paragraph 36 of the Board of Appeal's decision had concluded that even if the elements "Anna" and "Smith" had the same level of distinctive character, there was still a likelihood of confusion, as the element "Smith" would remain an independent and distinctive part of the trademark.

The applicant also submitted that, for consumers of fashion, a small difference between brands, such as where a given name is added to a family name, is sufficient to prevent a risk of confusion, except where the earlier mark is famous or well known. However, the EU General Court rejected this argument as unfounded. As noted in *Caventa v. OHIM—Anson's Rossewitz* (Case T-631/11),¹²⁷ it is common for marks in the clothing sector to be derived from a family name, and so to be associated with the same commercial origin whether or not they are accompanied by a given name. Adding the name "Anna" to the family name "Smith" would not, therefore, be sufficient to remove a likelihood of confusion. Further, the applicant had failed to support its position that such a risk of

126. *Murúa Entrena v. OHIM—Bodegas Murúa*, Case T-40/03 ¶ 49, [2005] EUR II-02831 (GC, July 13, 2005) (Julián Murúa Entrena) (EU:T:2005:285).

127. *Caventa v. OHIM—Anson's Rossewitz*, Case T-631/11 ¶ 68, [2013] ECR II-___ (GC, Feb. 20, 2013) (B BERG) (EU:T:2013:85).

confusion would only exist in the case of famous or well-known marks.

5. EU—EU General Court—Can the structure/format of a well-known mark be protected in an “unfair advantage” claim?

On November 30, 2016, the EU General Court ruled in *K&K Group AG v. EUIPO*, an opposition case based on “unfair advantage” grounds.¹²⁸ The dispute concerned the German company K&K Group’s application to protect its International Registration PRET A DINER (see below) in the European Union. The applicant sought protection for the mark in respect of goods and services Classes 29, 30, 35, and 43, including certain food and beverage products and advertising, business management, catering, and restaurant services.

Pret | A | Diner

The application was opposed by the intervener, Pret A Manger, under Article 8(5) of the EUTM Regulation, on the ground that the contested mark took unfair advantage of two of its earlier marks. Pret A Manger is one of the United Kingdom’s leading sandwich shop chains, with a ubiquitous presence on British high streets. The marks on which Pret A Manger’s opposition was based were: the figurative EUTM PRET A MANGER (see below), filed in April 1996 and registered in 2000, and its UK registered trademark PRET, filed in June 1995 and registered in November 1999. Both were registered in respect of goods and services in Classes 29, 30, and 43 (including certain foods and beverage products, and café, restaurant, and catering services).

PRET A MANGER

The EUIPO Opposition Division and the EUIPO Board of Appeal both upheld Pret A Manger’s action, leading K&K Group to appeal to the EU General Court.

An attempt by the appellant to call into question the proof of use that had been filed by Pret A Manger was readily dismissed, so the EU General Court moved on to consider the appellant’s submission that the EUIPO Board of Appeal’s decision had breached

128. *K&K Group AG v. EUIPO*, the other party to the proceedings before the Board of Appeal and intervener before the EU General Court being Pret A Manger Ltd, Case T-2/16, [2016] ECR II-___ (GC, Nov. 30, 2016) (EU:T:2016:690).

Article 8(5) of the EUTM Regulation. K&K Group argued that the earlier trademarks did not have a reputation in the United Kingdom; that the evidence rarely referred to PRET A MANGER, with the opponent often being referred to simply as “PRET.” It further suggested that the evidence did not clearly indicate which of the earlier trademarks had a reputation and, if such a reputation existed, in relation to which types of goods and services. These arguments again were quickly rejected by the Court. The EUIPO Board of Appeal had concluded that the opponent was referred to by both names, “PRET” and “PRET A MANGER,” and that its treatment in many of the press articles submitted in evidence indicated that it could justifiably be deemed a “household name.” The EU General Court found that the Board of Appeal had been right to find that “the earlier rights enjoy[ed] a near ‘iconic status’ in the UK.”¹²⁹

The EU General Court then examined the similarities between the contested mark and the earlier marks. In relation to the visual similarities between the marks, the appellant argued that the intervener should not be allowed to monopolize the “pret + word” structure, which, it claimed, was frequently used and took on meaning only with the addition of the other word. The EU General Court, however, found that the appellant had not proved this assertion, with the frequent use of such a construction not being apparent from the evidence provided to the Court.

Regarding the conceptual comparison of the signs at issue, the EU General Court found that the marks did not have a conceptual meaning for the English-speaking public at issue, as they refer to French expressions that are not understood by English consumers. This is an unhappy, but probably correct view of the very poor language skills of the average consumer in the United Kingdom, and in contrast to the position in, say, Germany, as noted below. The Court further found that the applicant’s claim that the English public understood the expression *prêt-à-porter*, and so that it was easy for them to understand the term *pret a*, was unsubstantiated, and involved comparison with an expression that incorporates elements other than those in the earlier marks: accents and hyphens. It also noted that the only word element that could be understood by the relevant public was the word “diner,” a term that could be immediately associated with a person eating a meal: either in relation to a customer in a restaurant, or with an American “diner,” or restaurant.

In support of its argument that the marks would have different meanings if understood by UK consumers, the appellant also referred to a decision made by the Deutsches Patent und Markenamt (German Patent and Trademark Office) on April 14,

129. *Id.* ¶ 74.

2014, which held that the PRET a DINER and PRET A MANGER marks were different. In that case, the fact that the French expression *prêt à manger* means “ready to eat,” led it to be considered descriptive by the German authorities, such that the word element of the earlier mark should be regarded as having, at most, a very low degree of distinctiveness. K&K Group also noted that a similar decision had also been reached by the Russian Federal Intellectual Property Office on July 30, 2016. The EU General Court, however, noted that the EUTM regime is an autonomous legal system, which applies independently of any national system, and that, as the registrability or protectability of a sign must be assessed in reference to only the relevant EU rules, it was not bound by the decision of the German or Russian Trademark Offices. It further noted that the decision of the German Patent and Trademark Office was based on an analysis of the German public’s perception of the signs, and such a perception could be different from that of the English public. The EU General Court therefore held that the marks were neither conceptually similar nor conceptually different, although they did have marked visual and phonetic similarities.

Given the visual and phonetic similarities between the mark, the EU General Court moved on to consider whether it was possible that the PRET A DINER mark could take unfair advantage of the earlier marks. It upheld the EUIPO Board of Appeal’s findings that, while the signs were not sufficiently similar as to create a likelihood of confusion between the marks, they were sufficiently similar as to enable the relevant public to make a connection between them. The EU General Court noted that the earlier marks had a very significant reputation in the United Kingdom, and that the image produced by the marks were inherently distinctive for the goods in question, which were for the most part shared with the goods covered by the International Registration.

The EU General Court found that the reputation of the earlier marks made it more than probable that the PRET A DINER mark could be perceived by the average consumer as being linked to the intervener. It also found that there was a risk that use of the PRET A DINER mark could take unfair advantage of the earlier marks, as the structure of the PRET A MANGER mark, which was practically a household name in the United Kingdom, was included in the PRET A DINER sign. (Indeed, it noted that the Board of Appeal’s reference to the fact that, when the opponent set up a hotel, it was humorously referred to as “*pret a dormir*” by the media, demonstrated the risk of image transfer.) The EU General Court therefore ruled in favor of Pret A Manger.

6. EU—EU General Court—What factors influence success or failure in an “unfair advantage”-based opposition involving a very well-known mark that is nevertheless a word with a certain descriptive or generic use?

On March 16, 2016, the EU General Court delivered its judgment in *The Body Shop International plc v. OHIM*.¹³⁰ The case involved a dispute between The Body Shop, a well-known UK cosmetics and skin care company, and Spa Monopole, a Belgian mineral water company, over the use of the term “spa” in an EUTM.

The Body Shop had applied to register the word mark “SPA WISDOM” as an EUTM for goods in Class 3, including perfumes, soaps, hair care and styling products, body-care products, cotton wool, and pot-pourri. The application was opposed by the intervener, Spa Monopole, on the basis of a number of earlier marks registered in Benelux which use the term spa, especially the word mark SPA, registered in respect of goods in Class 32: “Mineral water and aerated waters and other non-alcoholic beverages, syrups and other preparations to make beverages.” The opposition was based on Article 8(5) of the EUTM Regulation, on grounds that there was a risk that the contested mark would take unfair advantage of the earlier mark. The EUIPO Opposition Division refused the registration of the mark, a decision that was upheld by the EUIPO Board of Appeal. The Body Shop therefore appealed to the EU General Court.

The EU General Court found that the marks at issue, SPA WISDOM and SPA, were similar, contrary to The Body Shop’s first submission. The appellant had claimed that the EUIPO Board of Appeal was wrong to have held that the marks were similar, because it had failed to recognize that the term “spa” has become generic and descriptive in respect of cosmetic products. The EU General Court, however, found that the main use of the term “spa” was to refer to commercial establishments offering health and wellness services based on hydrotherapy or to products that were not cosmetics. At most, the Court considered, the term “spa” related to cosmetics in the sense that it was a play on words, as it alluded to the common use of the term by wellness centers. But, it did not refer to a characteristic of the cosmetic products. The Court also upheld the EUIPO Board of Appeal’s finding that the terms “spa” and “wisdom” were co-dominant elements in the mark and that as “spa” came first, it was more likely to attract the public’s attention. It concluded that the marks had an average degree of visual and

130. *The Body Shop International plc v. OHIM*, the other party to the proceedings before the Board of Appeal and intervener before the General Court being Spa Monopole, compagnie fermière de Spa SA/NV, Case T-201/14, [2016] ECR II-___ (GC, Mar. 16, 2016) (EU:T:2016:148).

phonetic similarities and that they were conceptually similar in that the term “spa” could evoke the same idea within both marks.

The applicant also argued that due to the stronger links between beauty centers and cosmetic products, consumers would not make a link between the cosmetic products covered by the SPA WISDOM mark and the mineral water covered the SPA mark. This claim was rejected by the EU General Court. Among other things, it found that there was actually a similarity between the goods covered by the marks at issue. The Court noted that there was a natural connection between the production of mineral water and the marketing of cosmetic products, with a number of proprietors of famous water brands, including the intervener, having developed their own line of cosmetic products that include the mineral water or its minerals as an ingredient, or reached license agreements with cosmetic companies to allow them to market cosmetic products using the water or its minerals. In addition, mineral water operators have also been known to sell cosmetic products that comprise mineral water. The Court was, therefore, clear that there was a link between the goods covered by the signs at issue.

The EU General Court then went on to determine that there was a risk that the use of the SPA WISDOM mark would take unfair advantage of the earlier marks’ reputation, which was acknowledged by both parties to be high in respect of the goods covered by the mark, as a result of its genuine and extensive use in the Benelux countries. The General Court found that the SPA mark’s image and the “message it conveys relate to health, beauty, purity and richness in materials.”¹³¹ The image and message conveyed were held to apply also to the cosmetic products in respect of which registration of the SPA WISDOM mark was sought, as those products were intended for beauty purposes and to protect, cleanse, and take care of the skin. It therefore found that there was a risk of “parasitism,” with the SPA WISDOM mark being able to take advantage of the earlier sign’s repute and the advertising efforts made by the proprietors of the earlier mark. The marketing of the goods covered by the SPA WISDOM mark would be made easier by their association with the earlier mark.

Addressing the possibility that the applicant’s use of the contested mark might be justified on the basis that there was “due cause” to use the term “spa,” the Court’s decision was again influenced by its holding that the generic nature and descriptiveness of the word “spa” did not extend to cosmetic products. As a result, the EU General Court concluded, “the word ‘spa’ was not so necessary for the marketing of those products that the applicant could not reasonably be required to refrain from the use of it in the mark applied for, at least . . . in such a prominent

131. *Id.* ¶ 59.

position as that of the beginning of the mark.”¹³² The applicant therefore had no due cause for use of the term in the mark applied for, although the implication was that a less prominent positioning of the “SPA” element within the mark as a whole might have offered a different outcome.

**7. EU—EU General Court—How can earlier
unregistered and/or foreign rights be effectively
marshaled in order to used effectively in EUTM
trademark oppositions?**

On March 3, 2016, the EU General Court delivered its judgment in *Ugly, Inc. v. OHIM*.¹³³ The dispute was based on the word mark COYOTE UGLY. “Coyote Ugly” is well known as the name of a musical-comedy film (*Coyote Ugly* (2000)), which takes its name from the appellant’s business: an international chain of bars called “Coyote Ugly” saloons, which are famous for the wild song and dance routines performed by the bartenders. The appellant does not, however, own the copyrights in the film.

In 2007, Group Lottuss Corp. applied to register the word mark COYOTE UGLY as an EUTM, in respect of “entertainment, discotheques, dance halls and cultural activities” in Class 41 and “bars” in Class 43.

The appellant, Ugly, Inc., which runs a series of bars under the name “Coyote Ugly,” opposed the application on the basis of three earlier sets of rights, or sets of rights. The first was the earlier EUTM COYOTE UGLY, which had been registered in 2001 for goods in Classes 14, 16, 21, 25, 32, and 34, but which was revoked for non-use with effect from May 2007. The second was COYOTE UGLY, claimed in the guise of an unregistered mark that had been used in the course of trade in all Member States for certain goods and services that would (had the mark been registered) have fallen into Classes 14, 16, 21, 25, 32, 34, 41, and 42. The third basis for the claim was COYOTE UGLY in the guise of a well-known mark within the meaning of Article 6*bis* of the Paris Convention for the Protection of Industrial Property of March 20, 1883 (as revised and amended), the claim being for the protection of the mark in relation to certain goods and services in Classes 9, 14, 16, 21, 25, 32, 34, 41, and 42. Article 6 of the Paris Convention refers to “a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of that convention and used for identical or similar goods.”

132. *Id.* ¶ 66.

133. *Ugly, Inc. v. OHIM*, intervener before the Board of Appeal being Group Lottuss Corp SL, Case T-778/14, [2016] ECR II-___ (GC, March 3, 2016) (EU:T:2016:XXX).

The EUIPO Opposition Division rejected the opposition, a decision that was upheld by the EUIPO Board of Appeal. Ugly, Inc. therefore went on to contest the ruling before the EU General Court. Its first plea was that the EUIPO Board of Appeal had erred in assessing the effect of the declaration of (non-use) revocation for the earlier COYOTE UGLY EUTM on the opposition proceedings. This was quickly dismissed. Ugly, Inc. argued that, although the mark had been revoked, the Board of Appeal should have regarded that mark as an earlier mark producing effects during the assessment of the opposition. However, the owner of the contested application, Group Lottuss Corp., had lodged the application for the revocation of the earlier EUTM on the same day as it applied for the mark at issue in the present case, namely, May 8, 2007. The mark had been revoked by the EUIPO Cancellation Division on July 11, 2008, with effect from that same day.

The proceedings then focused on the appellant's second plea: that the EUIPO Board of Appeal had erred in assessing the evidence of existence of earlier rights under Articles 8(2)(c) and (4) of the EUTM Regulation. Article 8(2)(c) provides that an EUTM may be refused registration on the basis of an opposition by the proprietor of a mark that is "well known" in a Member State, in the sense in which the words "well known" are used in Article 6*bis* of the Paris Convention, on the date of application of the EUTM, or the date on which priority is claimed in respect of the application for registration of the EUTM. Article 8(4) of the EUTM provides that:

Upon opposition by the proprietor of a non-registered trademark or of another sign used in the course of trade of more than mere local significance, the trademark applied for shall not be registered where and to the extent that, pursuant to the EU legislation or the law of the Member State governing that sign:

(a) rights to that sign were acquired prior to the date of application for registration of the EUTM, or the date of the priority claimed for the application for registration of the EUTM;

(b) that sign confers on its proprietor the right to prohibit the use of a subsequent trademark.

Ugly, Inc. argued that had the EUIPO Board of Appeal properly assessed the evidence, it would have found that, at the date that the contested mark was applied for, Ugly, Inc. held the non-registered mark COYOTE UGLY, under Article 8(4) of the EUTM Regulation, and the well-known mark COYOTE UGLY within the meaning of Article 8(2)(c) of the same regulation. It submitted that, as the film *Coyote Ugly* and its sales of recordings of its soundtrack had been successful, at least a small proportion of the film's viewers and of those who bought the soundtrack would be aware that the film referred to the appellant's business—a bar with the trade name

“Coyote Ugly.” The appellant argued that this awareness sufficed to demonstrate that the sign “COYOTE UGLY” was a non-registered mark deserving of protection, and that the recognition of the mark also reached the threshold necessary for it to be considered a well-known mark.

The EU General Court reviewed the evidence submitted to the EUIPO Board of Appeal and the Board of Appeal’s assessment of it. The evidence included printouts from the website www.imbd.com (an online database of films), a printout from Wikipedia, the results of Internet searches carried out for the term “coyote ugly,” copies of extracts from the United States Copyright Registry, documents in Spanish, and an undated sworn statement from the applicant’s lawyer responsible for intellectual property issues in the United States.

The General Court found that as a whole, the evidence mainly concerned the film and its soundtrack, rather than the appellant’s business itself. While the film and its soundtrack could be seen as falling under the category of “entertainment” services in Class 41 invoked by the applicant, the Court noted that Ugly, Inc. did not own copyright in either the film or the soundtrack. The evidence adduced also failed to show that the producers of the film used the sign COYOTE UGLY on the applicant’s behalf. It also failed to prove the use of the non-registered mark for the relevant goods and services within the European Union. The EU General Court therefore held that the EUIPO Board of Appeal had been right to find that the condition in Article 8(4) requiring the earlier unregistered rights relied by upon should be used in the course of trade was not fulfilled.

Similarly, the EU General Court concluded that the appellant had failed to evidence its claim to possession of a well-known mark. The Court noted that while well-known marks have protection against the likelihood of confusion irrespective of whether they are used in the relevant Member State (or any part of the EU), the evidence did not show that the applicant’s bar business was well known in the European Union or any its Member States, or that it was common knowledge that the film was inspired by the business. In addition, the Court observed that the success of the film did not demonstrate that the film and its soundtrack were widely associated with the appellant’s business. Indeed, it found that the evidence provided “little indication, or even no indication, of the degree of knowledge or of recognition of the mark, of the intensity of its use of its market share or of the promotion or media coverage that it may have enjoyed.”¹³⁴

The EU General Court went on to dismiss the applicant’s claim that the EUIPO had rejected the evidence without stating reasons

134. Ugly, Inc. v. OHIM, Case T-778/14 ¶ 62.

for its decision. Finding that none of the applicant's pleas in law were well founded, the Court dismissed the action for annulment of the contested decision and the remittance of the case back to the Opposition Division in its entirety.

8. EU—EU General Court—Where a company's name is used as the word element of its trademarks, can those marks be held to have a reputation within the meaning of Article 8(5) of the EUTM Regulation on the basis that the company possesses a goodwill in relevant markets?

On October 28, 2016, the EU General Court handed down judgment on three related opposition cases, *Unicorn a.s. v. EUIPO* (T-123/15, T-124/15 and T-125/15).¹³⁵ The cases involved opposition grounds under Article 8(5) of the EUTM Regulation, based on the appellant's assertion that the marks it relied on had an established reputation for the goods and services which they covered. Among other appeal grounds the appellant, Unicorn a.s., argued that the EUIPO Board of Appeal had erred in holding that the reputation it had acquired as a company had to be distinguished from the reputation it could claim for its trademarks, given that the marks were built around the company name. The rulings in the three cases were based on equivalent reasoning.

The case stemmed from an application made by Mercilink Equipment Leasing Ltd, to register three marks as EUTMs. One application was for the word mark "UNICORN-čerpací stanice," and the other two were for figurative signs including the word "UNICORN." Each application covered certain goods and services in Class 4 (including industrial oils and greases), Class 35 (including retail services) and Class 37 (including repair and installation services, vehicle service stations, and vehicle maintenance and repair).

Unicorn a.s. opposed these applications under a single plea in law, arguing that the earlier decision infringed Article 8(5) of the EUTM Regulation, and that Mercilink's marks would take unfair advantage of its earlier marks. It based its oppositions on its own Czech registrations of the word mark UNICORN, in Classes 9, 16,

135. *Unicorn a.s. v. EUIPO*, the other party to the proceedings before the Board of Appeal of the EUIPO being Mercilink Equipment Leasing Ltd, Case T-123/15, [2016] ECR II-___ (GC, 2016, Oct. 28, 2016) (EU:T:2016:642) (UNICORN-čerpací stanice); *Unicorn a.s. v. EUIPO*, the other party to the proceedings before the Board of Appeal of the EUIPO being Mercilink Equipment Leasing Ltd, Case T-124/15, [2016] ECR II-___ (GC, 2016, Oct. 28, 2016) (EU:T:2016:641) (UNICORN); *Unicorn a.s. v. EUIPO*, the other party to the proceedings before the Board of Appeal of the EUIPO being Mercilink Equipment Leasing Ltd, Case T-124/15, [2016] ECR II-___ (GC, 2016, Oct. 28, 2016) (EU:T:2016:640) (UNICORN).

35, 36, 37, 38, 41, and 42. In particular, the goods and services in Class 37 included “service, installation and maintenance electrical and electronic devices and equipment, especially computer and communication technology”, and in Class 42 they included “computer software—computer programming. . . .” Its opposition was also based on the Czech registration of the stylized form shown here, registered in respect of goods and services in Classes 9, 37 (“installation and service in computer software hardware sphere”), and 42 (including “formation of computer software—computer programming”).

UNICORN

In the two cases relating to Unicorn’s opposition of Mercilink’s figurative marks, Unicorn’s opposition was also based on the following two figurative marks, both registered in respect of goods and services in Classes 9 and 35.



The EUIPO Opposition Division partially upheld the oppositions, but only in respect of the “repair and installation services” and “repair information” in Class 37 covered by the marks applied for. It found that the evidence established that the appellant’s earlier word mark and its stylized form had some degree of reputation in respect of the services in Classes 37 and 42, but nevertheless declined to extend the protection of the mark into the other goods and services covered by the appellant’s marks. The EUIPO Board of Appeal refused the appellant’s appeals that the applications for the contested marks should be rejected for all the goods and services covered. The EUIPO found that the evidence submitted by the appellant had not enabled it to confirm the earlier marks’ reputation.

Unicorn a.s. therefore appealed to the EU General Court, alleging that the EUIPO Board of Appeal’s decision infringed Article 8(5) of the EUTM Regulation by, among other things, incorrectly assessing whether or not the earlier marks had a reputation. Unicorn a.s. alleged that the EUIPO Board of Appeal had contradicted itself by finding, on the one hand, that Unicorn a.s. had a certain recognition in the IT field, and, on the other hand, that the evidence provided did not demonstrate that the earlier marks were

recognized on the market. The appellant also claimed that the Board of Appeal had wrongly found that, although its company name, “Unicorn a.s.” and the word element of the trademarks it relied on were identical, the reputation of the company had to be distinguished from the reputation of the appellant’s earlier marks. Unicorn a.s. submitted that it would actually be difficult to determine whether the reputation related to itself (trading as “Unicorn”) or to its trademarks.

Various points arose on the question of the evidence that the appellant had submitted. The appellant claimed a large market for its products and services but had failed, in the view of the EU General Court, to make goods, through the filing and deployment of evidence, its claim to a substantial reputation for its trademarks in respect of the goods and services at issue.

On the subject of the Unicorn a.s.’s claim that, as the company name was identical to the word element of its earlier marks, the reputations of the company and the marks were linked and so there was no need to distinguish between them, the EU General Court noted that it was clear from a number of documents submitted by the appellant that the company was well known and had “a ‘certain goodwill’ in the Czech Republic and in Europe more generally in the IT field.”¹³⁶ However, the Court also found the recognition of the appellant in the Czech Republic could not offset the insufficiency of the evidence that Unicorn a.s. submitted in order to prove that the marks had a reputation as regards the goods and services covered. It held that,

... in order to establish that a trademark has a reputation, it must be proved that that mark is known to a significant part of the public concerned by the goods or services covered by that trademark. Consequently, even if the name of a company is known, that recognition is not capable of establishing that the mark of which it is the proprietor, even if it is a “house mark” which is identical to the name of the company, is known to a significant part of the public in respect of the goods and services which it covers.¹³⁷

As such, the EU General Court upheld the EUIPO Board of Appeal’s findings and dismissed the action in its entirety.

9. Spain—Spanish Supreme Court—Is the Spanish “continuity of registration” doctrine in accordance with the TM Directive?

The judgment of the Spanish Supreme Court of September 22, 2016 (Cassation Appeal 254/2015) in *Lloyd Shoes GmbH v. El Corte*

136. *Id.* ¶ 56.

137. *Id.* ¶ 57.

*Inglés, S.A.*¹³⁸ upholds the validity of the so-Spanish law doctrine of “continuity of registration.”

The continuity of registration is a principle of law applied by the Spanish courts and the Spanish Patent Trademark Office (SPTO). According to the doctrine, a trademark opposition must fail where the applicant has an earlier registered mark which is prior to the opponent’s mark, where the applicant’s prior registration protects a trademark that is identical or similar, in relation to goods or services that are identical or similar, to those, respectively, of the new application that is subject to opposition. The doctrine, according to the Spanish Supreme Court, is essentially that “the existence of a previous registration attributes to the holder of same the right to a new registration with the same or similar names provided that it is for the same or similar field of activity or products.”¹³⁹

In the case at hand, both the SPTO and the High Court of Justice of Madrid (on appeal) had applied the principle of continuity of registration in rejecting the opposition of Lloyd Shoes GmbH against an application filed in 2011 by retailer El Corte Inglés, S.A. for the mark, in Class 25. The opposition was based on an EUTM application and an EUTM registration for the mark LLOYD (figurative), owned by Lloyd Shoes GmbH, respectively, filed in 2011 and 2010, on the grounds that El Corte Inglés, S.A. had prior trademark registrations featuring the same name LLOYD’S, and in the same class, dating back to 1976.



Lloyd Shoes GmbH argued that the principle of continuity of registration is incompatible with the TM Directive, in particular with Article 4(1)(b) (likelihood of confusion) and Article (2)(c) (meaning of “earlier mark”). It filed a cassation appeal before the Spanish Supreme Court and also requested the Spanish Supreme Court to refer questions to the CJEU for a preliminary ruling concerning the compatibility of the principle of continuity of registration with the TM Directive.

The Spanish Supreme Court rejected the arguments of Lloyd Shoes GmbH, and confirmed the judgment of the High Court of Justice of Madrid. The court found, in essence, that the principle of continuity of registration was compatible with both Spanish

138. *Lloyd Shoes GmbH v. EL Corte Inglés S.A.*, Cassation Appeal No. 254/2015 (Spanish Supreme Court, Sept. 22, 2016).

139. *See, e.g.*, the judgment of the Spanish Supreme Court (Section 3) of September 25, 2012, Appeal No. 6350/2011, *EL ECONOMISTA*.

trademark law and the TM Directive, and that it was not necessary to refer questions to the CJEU.

According to the Spanish Supreme Court, the intention of the [EU] legislature laid down in Directive 2008/95/EC to strengthen the legal position of the registered owner resides in establishing that the registration of the trademark confers on him the exclusive right to use it in the course of trade and to prevent third parties from registering identical or similar signs for goods or services that are identical or analogous to those for which the mark is registered, which give rises to a likelihood of confusion or association on the part of the public. This does not preclude the national legislature or the [national] Courts of Justice from recognizing, on the basis of the principle of effectiveness of the legal protection granted to the registered owner, the right to register trademarks which, by virtue of the characteristics of the distinctive signs and the goods and services they designate, may be considered a derivation of the previously registered prior marks they own, provided that its exercise is in accordance with the commercial good faith and corresponds to a fair practice required in industrial or commercial matters.

The Spanish Supreme Court went on to add that, although legislative changes in Spain in 2001 had removed the provisions of the old law dealing with so-called “derivative marks.”¹⁴⁰ This did not prevent the owner of a trademark from being entitled to secure registration of a new trademark in which the main and predominant elements of its own earlier registered marks are maintained and to which new distinctive elements that play only a secondary role are incorporated.

Further, the Spanish Supreme Court took the view that it was irrelevant whether or not one of the opposing marks constituted a valid earlier right for the purposes of the opposition, on the grounds that the application of the principle of continuity of registration renders this issue irrelevant for the outcome of the opposition.

10. Spain—Spanish Supreme Court—When can a protected geographical indication not be used to invalidate a later trademark?

In its Judgment No. 107/2016 of March 1, 2016, in Cassation Appeal No. 2660/2013, the Spanish Supreme Court (First Chamber)

140. Under the Spanish Trademark Act of 1988 there was a category of trademarks called “derivative marks,” being marks with only minor variations to existing trademarks already held by the same owner. One particularity of derivative marks was that the examination of a derivative marks on absolute and relative grounds was only conducted for the variations introduced.

rejected an invalidation claim based on rights in the term “CHAMPAGNE.”

The plaintiff, Comité Interprofessionnel du Vin de Champagne, had filed a combined invalidity and infringement action against the owner of the Spanish registered trademark CHAMPIM. The CHAMPIM mark had been registered in relation to non-alcoholic beverages, and was in use in Spain for a fizzy drink for children presented in a bottle similar to that used for Champagne, shown here:



The plaintiff argued that the trademark CHAMPIM was:

- contrary to EC Regulation 1308/2013 of 17 December 2013 establishing a common organisation of the markets in agricultural products (former EC Regulation 1234/2007), whose art. 103 2b) states that “A protected designation of origin and a protected geographical indication, as well as the wine using that protected name in conformity with the product specifications, shall be protected against any misuse, imitation or evocation, even if the true origin of the product or service is indicated or if the protected name is translated, transcribed or transliterated or accompanied by an expression such as “style,” “type,” “method,” “as produced in,” “imitation,” “flavor,” “like,” or “similar”;

- contrary to law, as it contravened a bilateral convention made in 1973 between France and Spain on the protection of designations of origin;
- misleading for consumers as to the geographical origin of the goods (this being an “absolute” grounds for invalidation of the trademark registration under Article 5(1)(g) of the Spanish Trademark Act); and
- an act of unfair competition because it took unfair advantage of the denomination of origin (D.O.) “Champagne.”

The Commercial Court of Granada upheld the claims of the Comité de Champagne, declaring that the trademark was invalid and that it had infringed the D.O., considering it to be an act of misappropriation of another’s reputation. However, the Appeal Court of Granada completely overturned the judgment, and the Comité de Champagne filed a cassation appeal before the Spanish Supreme Court.

The final judgment of the Supreme Court of Spain rejected the complaint on the following grounds: (i) the trademark had been registered and was used for a non-alcoholic beverage, so it does not contravene the EC Regulation 1308/2013 or the bilateral agreement that requires the products to be of the same category and in this case they were of different categories; (ii) the trademark is not misleading, as consumers would never think that the drink “CHAMPIM” has been made from champagne (and thus would not think that the product came from France); and (iii) there was no unfair competition in the sense of taking advantage of another’s reputation, as the purpose of the defendant was not to obtain any unfair advantage of the position of Champagne. The court noted here that the bottle was decorated with childish designs that were far from resembling a champagne label. Moreover, the shape of the bottle was not exclusive to Champagne, but is also used for other sparkling wines, like Spain’s own famous cava.

The Supreme Court held that not every evocation of a D.O. justifies a finding of infringement. This evocation must be linked to the protection awarded by the D.O. In the present case, said the Supreme Court, the trademark CHAMPIM was applied to a sign aimed at different public (children) and for dissimilar goods (fizzy soft drinks), so even if the mark CHAMPIM were to be considered slightly similar to D.O. Champagne, this similarity would not lead to the evocation—as contemplated by the CJEU in its judgment of March 4, 1999 (*Case C-87/97 formaggio Gorgonzola (“Cambozola”*)¹⁴¹)—invoked by Comité Interprofessionnel du Vin de Champagne in its

141. *Consorzio per la tutela del formaggio Gorgonzola v. Käserei Champignon Hofmeister GmbH & Co. KG and Eduard Bracharz GmbH*, Case C-87/97 [1999] ECR I-01301 (CJEU, Mar. 4, 1999) (EU:C:1999:115).

appeal. In the *Cambozola* case, the products had been comparable and in this case they were not. Therefore, the slight evocation of the trademark to Champagne was irrelevant as there is no mental connection in consumers that may prejudice the D.O. and does not constitute taking unfair advantage of the reputation of D.O. Champagne either.

**11. Germany—German Federal Patent Court (BPatG)—
What *degree* of distinctiveness does a trademark
registered on the basis of acquired distinctiveness
possess, and what geographic area is relevant for
answering the question of whether or not an EUTM
registered on the basis of acquired distinctiveness
should be regarded as enjoying a higher degree of
distinctiveness?**

On March 1, 2016, the German Federal Patent Court (BPatG) delivered its decision in Case No. 29 W (pat) 33/13—OXFORD/Oxford Club.¹⁴²

FID Verlag GmbH is the owner of the German trademark OXFORD CLUB for goods and services in Classes 16, 38, 41, and 42 of the International Classification. Oxford University Press is the owner of the earlier EUTM OXFORD for products in Class 16.

Based on its EUTM Oxford University Press filed an opposition against the younger German trademark. The opposition was rejected. Likewise, its appeal to the German Federal Patent Court proved unsuccessful. The court considered that there was no likelihood of confusion between OXFORD CLUB and OXFORD.

According to established principles, the question of whether there is a likelihood of confusion is to be decided by evaluating all circumstances of the case: the identity or similarity of the goods and services, the degree of similarity of the conflicting trademarks; and the distinctiveness of the older trademark. The principle of interdependency establishes that a lower degree of similarity of the goods or services may be offset by a higher degree of similarity between the trademarks or by an increased distinctiveness of the earlier trademark, and vice versa.

As the German Federal Patent Court held, according to German practice, the question of whether in the given case there is a similarity or even an identity between the goods and services of the marks being considered may be left undecided if the court has determined that, even if the goods were identical, this would not result in a likelihood of confusion because of the other factors at play.

142. Case No. 29 W (pat) 33/13 (German Federal Patent Court, Mar. 1, 2016) (OXFORD/OXFORD CLUB).

In the present case, the court considered that the key factor was that the earlier trademark (i.e., OXFORD), had only low distinctiveness. In fact, it would not, inherently, even qualify for trademark protection, which is available only for those trademarks that are capable of guaranteeing the origin of the branded goods or services. (ECJ GRUR Int. 1999, 734—Lloyd). Oxford is a major English university town and, as such, also known to the attentive and informed German average consumer. Also, apart from London, Oxford has the most publishing houses in England. Since it therefore serves as a geographical indication (or as a reference to publications on the subject of Oxford) the term “Oxford” is not inherently protectable as a trademark. And, in fact, the earlier trademark had only been registered because—owing to its use by the publisher—it had obtained secondary meaning.

While, as a rule, trademarks registered on grounds of secondary meaning are considered to have average distinctiveness, it is nevertheless possible that, under certain conditions, these trademarks may be considered to have only a low level of distinctiveness. (BGH GRUR 2003, 1040—KINDER I). As to that, the German Federal Patent Court noted that both the German trademark register and the European Union trademark register reveal numerous trademarks containing the word “Oxford” (figurative or multi-world trademarks). This did not of itself indicate that the term possesses a diminished distinctiveness, since it is not known if and to what extent these trademarks have been used in the market. On the other hand, Oxford University Press had not submitted any evidence permitting the court to reach any conclusion with respect to the market situation and, without evidence to substantiate it, the court considered that to regard the term “OXFORD” as having an average distinctiveness would not be reasonable. Indeed, Oxford University Press had not even submitted facts permitting the court to conclude that the trademark had—by its use—acquired an average level of distinctiveness (let alone a high level of acquired distinctiveness).

The German Federal Patent Court held that, in evaluating the level of the mark’s acquired distinctiveness, the court should not look at the territory of the European Union as a whole, but only to that part of the EU where the trademarks are in conflict. Here, where the opposition was against a German trademark, the distinctiveness of the EUTM relied upon needs to be assessed in respect of Germany, the EU Member State in which the conflict has arisen. In other words, a higher level of acquired distinctiveness would only be found in a case like the present if it were shown to exist in Germany (BGH GRUR 2013, 1239—Volkswagen). It would be beside the point that the EUTM might enjoy a higher profile due to use in other EU Member States.

In view of the fact that Oxford University Press had not provided any relevant facts supporting a higher level of distinctiveness with respect to Germany, the German Federal Patent Court concluded the degree of similarity between the older trademark OXFORD and the opposed trademark OXFORD CLUB to be too low to result in a likelihood of confusion, despite the fact that the term “OXFORD” is both part of the older and the younger trademark.

According to the German Federal Patent Court, the word “OXFORD” in OXFORD CLUB does not play an independent distinctive role. In line with leading cases, the element “CLUB” does not refer to a corporate name (like “Inc.” or “Limited”), nor is “CLUB” a well-known trademark of Oxford University Press (BGH GRUR 2013, 833—Culinaria / Villa Culinaria). In fact, there is every reason to believe that the younger trademark OXFORD CLUB forms a single composite term. The consumer would therefore have no reason to look at the term “OXFORD” in isolation, thereby neglecting the similarly weak element, “CLUB.”

The Federal Patent Court has, however, granted leave to file a further appeal to the German Federal Supreme Court. The matter is now pending there under Case No. I ZB 45/16.

12. Sweden—Swedish Court of Patent Appeals—Is it possible for a trademark applicant to overcome an obligation to registration based on earlier rights, where the applicant and the proprietor of the earlier rights once belonged to the same group of affiliated companies?

This case deals with problems experienced by car manufacturer Hyundai Motor Company in overcoming the partial provisional refusals issued by the Swedish IPO to the applicant’s international trademark registrations for the word marks Hyundai ix20, Hyundai ix25 and Hyundai ix30. The registrations covered automobiles and associated goods in Class 12.¹⁴³ According to the Swedish Intellectual Property Office, there was a likelihood of confusion between the applicant’s trademarks and four earlier registered trademarks. The earlier trademark registrations all covered either vehicles *per se* in Class 12 or spare parts for vehicles belonging to Class 12 and other classes. The earlier marks all included the word “Hyundai” in addition to other words and figurative elements.

Hyundai appealed the Swedish Court of Patent Appeals, claiming that its trademarks should be registered for the following reasons:

143. Hyundai Motor Company, Cases 15-044–15-046 [2016] (Swedish Court of Patent Appeals, May 16, 2016).

- 1) Hyundai held still-earlier rights, including a Swedish trademark registration that was older than the conflicting trademark registrations, covered the word mark Hyundai (i.e., a mark almost identical to the marks at issue (Hyundai ix20, Hyundai ix25, and Hyundai ix30), and covered goods (including “automobiles” in Class 12) that were identical to the goods covered by the international trademark registrations at issue.
- 2) Hyundai and the owners of the earlier trademark registrations had previously belonged to the same group of companies, which meant that Hyundai had the right to use the company name “Hyundai Motor Company,” which was almost identical to the trademarks applied for.

Despite the previous connection between Hyundai and the proprietors of the conflicting trademark registrations, the position was such that the latter were not likely prepared to consent to Hyundai’s new international trademark registrations.

The Swedish Court of Patent Appeals held, however, that Hyundai’s possible *right to use* its company name was irrelevant, as it did not alter the fact that the trademark rights were in conflict. More generally the court also held it to be irrelevant, when determining whether or not the marks at issue could be registered, that Hyundai and the owners of the conflicting marks had once belonged to the same group of affiliated companies.

The Court also concluded that the fact that the applicant already held a Swedish trademark registration, for an almost identical mark and partly identical goods, that was *older* than the bars for registration was not a significant factor. According to the court, it would not have made a difference even if Hyundai’s own earlier Swedish trademark registration had concerned a trademark identical to the trademarks covered by Hyundai’s new international trademark registrations and completely identical goods. The fact that the Applicant’s international trademark registrations were all predated by the bars for registration was decisive.

The ruling of the Swedish Court of Patent Appeals in this case from Sweden is in stark contrast to the decision of the Spanish Supreme Court in *Lloyd Shoes GmbH v. El Corte Inglés, S.A.*¹⁴⁴ (see above) in a similar situation.

The judgment in this case also shows the importance of dealing comprehensively with the division of trademark rights when one or more companies leave a corporate group, especially in a Swedish context as the Swedish IPO itself *ex officio* puts forward any relative bars for registration that it may find (including not only earlier trademark applications or registrations but also earlier registered

144. *Lloyd Shoes GmbH v. EL Corte Inglés S.A.*, Cassation Appeal No. 254/2015 (Spanish Supreme Court, Sept. 22, 2016).

company names) So if an applicant is incapable of convincing the Office of the lack of likelihood of confusion, and is unable to obtain consent from the earlier rightsholder, the applicant's trademark simply cannot be registered in Sweden. In fact, company names are frequently raised as bars against registration of trademarks in Sweden. This unusual feature of Swedish practice will likely remain at least in the near future despite coming changes to Swedish trademark legislation.

In this specific case Hyundai found itself in a situation in which it was incapable of updating its own trademark rights in Sweden, even though it had been granted a Swedish trademark registration for an almost identical trademark for partially identical goods more than thirty years earlier.

13. Benelux—Court of Appeal Luxembourg, Grand Duchy of Luxembourg—Must the Benelux Office for Intellectual Property (BOIP) follow a predefined method to analyze the merits of a trademark opposition?

No. In its decision of February 17, 2016, in the YELLOW case, the Luxembourg Court of Appeal held that, although the Benelux Convention on Intellectual Property (BCIP) provides criteria to be followed to assess a trademark opposition on the merits, nothing in the BCIP imposed a predefined assessment scheme to be used. Hence, nothing in the BCIP prevents the Benelux IPO (the BOIP) deciding not to analyze certain criteria, where it considers that such analysis is not relevant to the particular case in hand.

The question arose in the context of an opposition by the owner of the Benelux trademark YELLOW PAGES and PAGES JAUNES against an application to register the following Benelux semi-figurative trademark shown here:



The BOIP, before which the opposition had been brought, rejected the opposition.

On appeal to the Luxembourg Court of Appeal, the owner of the earlier trademarks argued that the BOIP's decision should be annulled because the BOIP had failed to carry out an assessment of the similarity of products and services in its refusal decision. The Luxembourg Court of Appeal accepted that such analysis should in principle be carried out at the same time as the analysis of the similarity of the signs. Nevertheless, it held that, where the authority carrying out the assessment considers that the first

criterion is not met (i.e., that there is no similarity between the respective trademarks), it may decide to dispense with any analysis of the second criterion (i.e., similarity between products and services).

The Luxembourg Court of Appeal went on to make its own assessment of the similarity between the marks in the case at hand, but first considered the distinctive character of the earlier marks relied on, YELLOW PAGES and PAGES JEUNE. The Court underlined that a trademark might derive a highly distinctive character as a result of circumstances such as the reputation built up through use of the mark, the mark's originality, or its rarity.¹⁴⁵ However, the Court of Appeal considered that neither YELLOW PAGES nor PAGES JAUNES inherently had a highly distinctive character, given that such terms are not fundamentally original or rare. The court also considered that the public recognition of the earlier trademarks was not significant enough to offer them an enhanced right of protection. It concluded that the trademarks inherently possessed, and retained, only a low degree of distinctive character, and that consequently they could benefit only from a narrow sphere of protection.

Turning, then, to the question of similarity between the marks, the Luxembourg Court of Appeal held them to be dissimilar. The Court pointed out the fact that the earlier YELLOW PAGES and PAGES JAUNES trademarks would be perceived by the public as a whole, having a concrete literal meaning, whereas the contested mark YELLOW.LU would be linked only to the color yellow. The addition of the word "page" to the word "yellow" or "jaune" entails the loss, in the imagination of the public, of the spontaneous reference to the color yellow, given that "yellow pages" suggest a global concept, which is not directly linked to the color itself. Hence, the visual and phonetic similarities existing between the signs would be erased by their conceptual difference.

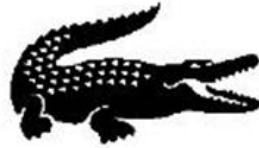
14. Benelux—Court of Appeal of The Hague, The Netherlands—Is conceptual similarity between a word mark and a graphic device sufficient for a finding of a likelihood of confusion in a situation where the goods at issue are identical and the earlier device mark enjoys a reputation?

Yes. In a recent decision from the Netherlands, Lacoste's device mark consisting of a picture of a crocodile and the word mark EAU CROCO were found to be confusingly similar. This was decided by

145. Luxembourg Court of Appeal, Mar. 20, 2002, No. 16621.

the Court of Appeal of The Hague in the Netherlands in *Pacogi/Lacoste*.¹⁴⁶

The case concerned an application by the Dutch company Pacogi to register for the trademark EAU CROCO for perfumes. The application was opposed by Lacoste primarily on the basis of its EUTM shown here, consisting of the image of a crocodile:



The Court of Appeal considered that, in relation to fragrances, the element “EAU” (which means “water” in French) in EAU CROCO would be understood by the relevant public as referring to *eau de cologne*, *eau de toilette* and/or *eau de perfume* (which are also known terms in the Dutch-speaking part of the Benelux). The element “EAU” is thus descriptive.

As to the element “CROCO,” it was not in dispute that this would be understood as referring to “crocodile.” “CROCO” was the dominant element, given the descriptive character of the “EAU” element. And, because Lacoste’s device mark clearly communicates the concept of a crocodile, the Court of Appeal concluded that there was conceptual similarity.

The Court of Appeal also found that Lacoste’s device mark enjoyed a large reputation and had significant distinctive character for the relevant goods. Adding to this the fact that the goods at issue were identical and, as mentioned, there was conceptual similarity, the Court of Appeal ruled there to be a likelihood of confusion. This was all the more so, given that the products are a market in which it is common for products to be offered in different variations with varying names. There was therefore a real risk that the relevant public would think that perfumes bearing the trademark EAU CROCO have the same origin as Lacoste perfumes.

V. BAD FAITH

A. Introductory Comments

EU trademark law contains a number of provisions offering the possibility of challenging a trademark application, or the resulting registration, on the basis that the application was made in bad faith.

Relevant provisions may be found in both the TM Directive and the EUTM Regulation. This year, the only bad faith case being

146. Case No. 200 172 944/01 (Court of Appeal of the Hague, Jan. 26, 2016) (NL:GHDHA:2016:1218), IER 2016/34 (PACOGI/LACOSTE).

reported arises under the EUTM Regulation, relating to an EUTM. It is not possible to oppose an EUTM application on grounds of bad faith as such (although certain other opposition grounds may incorporate a bad faith element), but an invalidity action may be brought on this basis. The relevant rule is contained in Article 52(1)(b) of the EUTM Regulation.

Although “bad faith” is an open concept that can be applied in many different scenarios, bad faith claims typically involve selective attempts to register an individual trademark that the applicant knows to belong to a third party. The case selected for inclusion this year involves something different, and on a grander scale—a whole system for filing multiple applications for marks that others might conceivably wish to register.

B. Legal Texts

(Note: the relevant provisions of the TM Directive have been omitted, as the only reported case this year is governed by the EUTM Regulation.)

Article 52(1)(b) of the EUTM Regulation

1. [An EUTM] shall be declared invalid on application to the [EUIPO] or on the basis of a counterclaim in infringement proceedings:

. . .

- (b) where the applicant was acting in bad faith when he filed the application for the trademark.

C. Cases

1. EU—EU General Court—Can a trademark registration be invalidated on bad faith grounds on the basis that it was secured as the result of an improper filing strategy?

On July 7, 2016, the General Court delivered its judgment in *Copernicus-Trademarks Ltd v. EUIPO*,¹⁴⁷ a case concerning bad faith in the filing of a trademark application. The case involved an applicant whose strategy had been to file a large number of applications in an apparent attempt to block legitimate applicants. It is an interesting feature of the case that the bad faith application that gave rise to the dispute did not correspond directly to the blocked trademark. Rather, the bad faith application was one of thousands of national trademark applications filed by the applicant, which followed up by priority EUTM filings only when the resulting

¹⁴⁷ Copernicus-Trademarks Ltd v. EUIPO, intervener before the General Court being Maquet GmbH, Case T-778/14, [2016] ECR-II___ (GC, Mar. 3, 2016) (EU:t:2016:396).

EUTM could be used to oppose EUTM applications made by other parties.

The background to the case is somewhat convoluted, as the (bad faith) EUTM at issue was transferred, on the face of it, between a succession of different registered proprietors. However, an individual agent (known in the case as Mr. A.), was connected with each of the different proprietors and was considered to be the controlling mind behind the application for the trademark's registration as an EUTM.

In July 2009, the intervener, Maquet GmbH, filed an application for an EUTM composed of the word mark LUCEA LED for “surgical lights” in Class 10. Shortly afterwards, in September 2009, a company called Copernicus EOOD, represented by Mr. A., filed an application for the EUTM LUCEO for goods in Classes 10 (“surgical, medical, dental and veterinary apparatus and instruments; artificial limbs, eyes and teeth, orthopedic articles, suture materials”), 12 (including “vehicles . . . parts for motor vehicles . . . accessories for motor vehicles”), and 28 (gymnastic and sporting articles; games). Copernicus EOOD claimed a priority for its application, based on its earlier Austrian application filed with the Österreichisches Patentamt on March 16, 2009. On November 12, 2009, Capella EOOD—which had become the proprietor of the LUCEO mark, and which was also represented by Mr. A.—filed a notice of opposition against the LUCEA LED application, invoking the LUCEO EUTM with its March 2009 priority.

On May 3, 2011, Maquet responded by filing an application for a declaration that the LUCEO EUTM was invalid under Article 52(1)(b) of the EUTM Regulation, arguing that Copernicus had acted in bad faith when it filed its EUTM application for the registration of the LUCEO mark. In Article 52(1)(b), the concept of bad faith concerns a “subjective motivation on the part of the trademark applicant, namely a dishonest intention or other “sinister motive.” It involves conduct which departs from accepted principles of ethical behavior or honest commercial and business practices.”¹⁴⁸ The LUCEO mark was, on the face of it, transferred again before the EUIPO Cancellation Division considered the invalidity claim, with Verus EOOD and Copernicus-Trademarks Ltd—both represented by Mr. A.—being entered on the register as the new proprietors of the mark.

The EUIPO Cancellation Division declared the LUCEO mark invalid under Article 52(1)(b), prompting Copernicus-Trademarks to appeal to the EUIPO Board of Appeal. Before the EUIPO Board of Appeal's decision was reached, in November 2012, Ivo-Kermartin was entered as the new proprietor of the mark, once again represented by Mr. A. When the Board of Appeal rejected the

148. *Id.* ¶ 28.

appeal, the appellant, Copernicus-Trademarks (acting on behalf of Ivo-Kermartin) appealed to the EU General Court.

The EUIPO Board of Appeal had found that the application to register the LUCEO mark was part of an unlawful trademark filing strategy by Mr. A.—who had filed literally thousands of trademark applications, very few of which matured into EUTMS—and that the LUCEO EUTM application had only been filed in order to provide a basis for opposing the registration of LUCEA LED and gain an economic advantage. The Board of Appeal had also noted that the filing strategy lacked transparency for third parties, as Mr. A. made use of a host of different corporate vehicles to file applications for national trademarks and EUTMs. This was contested by the appellant, Copernicus-Trademarks, which claimed that the application for registration of the LUCEO mark was part of Mr. A.'s legitimate business activity as a trademark manager, in which he created a portfolio of EUTMs in order to sell them to third parties. Mr. A., it was claimed, sought to “develop” each mark by fine-tuning the list of goods and services that each mark was intended to cover in successive national trademark applications, before including the mark in his portfolio in an updated form.

The EU General Court upheld the Board of Appeal's decision that the LUCEO mark was invalid on account of the applicant's filing strategy. It was clear to the Court that Mr. A. routinely submitted chains of applications for the registration of national trademarks on a six-monthly basis, alternating between filing applications in Austria in March and Germany in September, and using a number of different companies to make the applications. The applications were successively dropped due to non-payment of application fees, and so were not examined by the national trademark offices. The six-month routine corresponded with the six-month priority period—or as the Court referred to it, the six-month “period of reflection” granted to trademark applicants in which they could decide whether or not they wished to submit an application to register the same mark, covering the same goods and services, as an EUTM, and during which the applicant could claim priority. It was evident to the Court that Mr. A. sought to abuse the priority periods in order to gain a blocking position for a period far exceeding the six-month “reflection” period, and even the five-year non-use grace period provided for by Article 51(1)(a) of the EUTM Regulation. The Court found that this behavior was not only incompatible with the objectives of the EUTM Regulation, but also not unlike cases of “abuse of law.”

While the applicant claimed that it sold the trademarks in its portfolio to third parties, Mr. A. was unable to give the names of clients interested in the LUCEO mark. There was no evidence to establish the existence of any third parties interested in Mr. A.'s applications for national trademarks. The EU General Court also

noted that, had Mr. A. intended to extend his portfolio, he could simply have registered the trademarks. While it was claimed that a large proportion of the “developed trademarks” had actually been registered, this was not borne out by the evidence. Even if as many as 200 trademarks been registered, as Mr. A. claimed (although no evidence was available to establish that these marks could be attributed to Mr. A. at the time of the contested decision), the gulf between this figure and the more than 3,000 applications for registration of national trademarks made as part of the scheme was still significant. The EU General Court therefore found that the activities of Mr. A. and the companies associated with him were not the legitimate activities of a trademark agency, but an attempt to gain an indefinite blocking position.

The Court also rejected the suggestion that the situation in the present case had arisen by chance. It found that a similar strategy had been pursued against a number of earlier third-party marks, including the marks VORTEX (Case R 512/2011-4), ROCKY (Case R 2147/2010-4), and FORERUNNER (Case R 2000/2010-4). Given this track record, the EU General Court found that the situation in the present case could not be a product of happenstance; whether Copernicus-Trademarks or Mr. A. had been aware of the existence of the application of the LUCEA LED mark when they applied to register the LUCEO mark in Austria, the application to register the latter mark as an EUTM had been a specific response to the application of the LUCEA LED mark. In the no less than nine previous instances in which he or an associated company had made applications for registration of LUCEO as a German or Austrian trademark, Mr. A. had never paid the registration fees or (until the September 2009 application that led to this case) filed an application for the registration of the EU trademark LUCEO.

The EU General Court found that the applicant failed to provide any satisfactory explanations of the ways in which Mr. A. intended to use the LUCEO mark, other than to oppose the application for registration of identical or similar signs. The applicant had requested payment of EUR 75,000 from the applicant for the LUCEA LED mark, leading both the EUIPO Board of Appeal and subsequently the EU General Court to conclude that the applicant intended to exploit its mark in order to gain economic advantages by opposing the registration of the LUCEA LED mark.

The EU General Court also ruled that Mr. A’s filing strategy lacked transparency. It noted that the repeated transfers of trademarks and applications for trademarks to different companies made it less visible to third parties that the large number of trademark filings were all part of the same concerted scheme. Similarly, the alternation between applications to register German and Austrian trademarks, and the non-payment of registration fees in respect of them, also made the strategy less transparent.

It was therefore clear to the EU General Court that the applicant had applied for the LUCEO trademark in bad faith: employing an unlawful filing strategy that allowed it to use the LUCEO mark to block an application to register the LUCEA LED mark and so gain an economic advantage.

VI. USE, NON-USE, AND PROOF OF USE

A. Introductory Comments

Neither the TM Directive nor the EUTM Regulation requires that a trademark should be in use before the mark may be registered. Similarly, there is no requirement that the trademark owner should prove ongoing (or any) use of the trademark upon renewal of the registration, or at any other periodic interval.

Despite this, the EU does subscribe to the “use it, or lose it” principle. An EU trademark becomes vulnerable to attack on grounds of non-use once it has been registered for five years. A similar rule applies in relation to trademarks registered with national EU trademark authorities.

The question of whether or not a mark is in use at a given time may arise in two contexts. The first is where the registration of the mark is made the subject of a revocation attack on the specific grounds of non-use, which may happen on a stand-alone basis or as a counterclaim in infringement proceedings. The second is where the trademark in question is being used as an “earlier right” in a challenge to a third party’s trademark application or registration. In this latter situation, the third party may require, if the challenger’s mark is at least five years old, that “proof of use” be provided. To the extent that such proof is not then provided, the earlier right is disregarded for the purposes of the challenge.

The four cases covered in this Part of the Review cover, between them, both the situations just described. Two of the cases are from the CJEU, and two from the EU General Court. All four cases relate to EUTMs.

The provisions concerning the revocation an EU trademark on grounds of non-use are found in Articles 15 and 51(1) of the EUTM Regulation. The requirements for “proof of use” in connection with challenges to third party marks are set out in Article 42 of the EUTM Regulation.

B. Legal Texts

(Note: since the cases covered below are all connected with EUTMs, only the relevant provisions of the EUTM Regulation are given below. The text of the Regulation is given in its pre-2016 form.)

Article 15 of the EUTM Regulation

1. If within a period of five years following registration, the proprietor has not put the [EUTM] to genuine use in the [European Union] in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the [EUTM] shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for non-use.

The following shall also constitute use within the meaning of the first sub-paragraph:

- (a) use of the [EUTM] in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered."
 - (b) affixing of the [EUTM] to goods or to the packaging thereof in the [EU] solely for export purposes.
2. Use of the [EUTM] with the consent of the proprietor shall be deemed to constitute use by the proprietor.

Article 42 of the EUTM Regulation

...

2. If the applicant so requests, the proprietor of an earlier [EUTM] who has given notice of opposition shall furnish proof that, during the period of five years preceding the date of publication of the [EUTM] application, the earlier [EUTM] has been put to genuine use in the Union in connection with the goods or services in respect of which it is registered and which he cites as justification for his opposition, or that there are proper reasons for non-use, provided the earlier [EUTM] has at the date been registered for not less than five years. In the absence of proof to this effect, the opposition shall be rejected. If the earlier [EUTM] has been used in relation to part only of the goods or services for which it is registered it shall, for the purposes of the examination of the opposition, be deemed to be registered in respect only of that part of the goods or services.
3. Paragraph 2 shall apply to earlier national trademarks . . . by substituting use in the Member State in which the earlier national trademark is protected for use in the [Union].

Article 51 of the EUTM Regulation

1. The rights of the proprietor of the [EUTM] shall be declared to be revoked on application to the [EUIPO] or on the basis of a counterclaim in infringement proceedings:
 - (a) if, within a continuous period of five years, the trademark has not been put to genuine use in the [European Union] in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use; however, no person may claim that the proprietor's rights in [an EUTM] should be revoked where, during the interval between expiry of the five-year period and filing of the application or counterclaim, genuine use of the trademark has been started or resumed; the commencement or resumption of use within a period of three months preceding the filing of the application or counterclaim which began at the earliest on expiry of the continuous period of five years of non-use shall, however, be disregarded where preparations for the commencement or resumption occur only after the proprietor becomes aware that the application or counterclaim may be filed.

C. Cases

1. EU—CJEU—Non-use—Can the lack of genuine use of an EUTM *within* five years from the date of the registration of the trademark deprive the proprietor of the possibility of contesting the infringement of the trademark?

Lest there should be any doubt on this question, the CJEU has ruled conclusively that failure to put one's EUTM to use *within* the first five years following its registration does not limit the trademark owner's rights.

This question had arisen in a Swedish case covered in last year's edition, *Länsförsäkringar AB v. A/S Matek*.¹⁴⁹ The CJEU's ruling on the issue, in Case C-654/15 *Länsförsäkringar AB v. A/S Matek*¹⁵⁰ was delivered on December 21, 2016.

The plaintiff, *Länsförsäkringar AB*, is the proprietor of the EUTM shown below. The trademark in question was registered for services in Class 36 including: "real estate affairs, appraisal of real estate, rental of apartments and business premises and real estate

149. *Länsförsäkringar AB v. A/S Matek*, Case T 3403-14 [2015] (Swedish Supreme Court, Dec. 3, 2015). See also Guy Heath, *Annual Review of EU Trademark Law: 2015 in Review*, 106 TMR 539 (2016).

150. *Länsförsäkringar AB v. Matek A/S*, Case C-654/15 [2016] ECR-I___ (CJEU, Dec. 21, 2016) (EU:C:2016:998).

management.” The plaintiff’s registration also included “building construction, repair and maintenance and installation services” in Class 37.



The plaintiff’s EUTM

Länsförsäkringar had not been using its trademark in relation to the services in Class 37. Länsförsäkringar nevertheless brought trademark infringement proceedings against in Sweden A/S Matek (“Matek”), a construction company, in relation to the latter’s use of the trademark below for marketing their construction services, in particular the construction of wooden houses. The claim was based on Article 9(1)(b) of the EUTM Regulation. The plaintiff’s trademark had been registered for less than five years at the time it commenced its action.



Two of the trademarks used by the defendant

The claim was defended, and the matter had in due course found its way to the Swedish Supreme Court. The Swedish Supreme Court decided to ask the CJEU:

Does it affect the proprietor’s exclusive right that, during a period within five years from registration, he has not made genuine use of the EUTM in the European Union for goods or services covered by the registration?¹⁵¹

The CJEU was perfectly clear that it did not. Referring to Articles 15(1) and 51 of the EUTM Regulation (both cited fully at the beginning of this Part), the CJEU held:

It is apparent from the wording and purpose of Article 15(1) and Article 51(1)(a) and (2) of [EUTM Regulation] that, until the

151. *Id.* ¶ 17.

period of five years following registration of the EU trademark has expired, the rights of the proprietor cannot be declared to be revoked in respect of either some or all of the goods or services for which the mark is registered. Those provisions thus confer on the proprietor a grace period for beginning genuine use of his mark, during which he may rely on the exclusive rights which the mark confers, pursuant to Article 9(1) of the regulation, in respect of all those goods and services, without having to demonstrate such use.¹⁵²

The CJEU's ruling is entirely as anticipated. Anything else would have amounted to a substantial reformation of the EU trademark law. EUTM owners often talk about the “five-year grace period.” This language now has the authority of the CJEU behind it.

An applicant for EU trademark need have no intention to use its mark at the date of filing, and need not actually use it before acquiring enforceable rights under it. After five years have elapsed, the mark becomes vulnerable if it remains unused. But until then the only way for a defendant to take advantage of the mark's non-use would be indirectly through a bad faith challenge—arguing for example that the mark's non-use results from the wrongful ulterior motive behind the plaintiff's application to register the mark in question.

2. EU—EU General Court—To what extent can an EUTM be considered to be used despite variations between the forms appearing on the register and the form presented in the trademark owner's marketing?

Case T-146/15, *hyphen GmbH v. EUIPO*,¹⁵³ concerns an application to revoke the EU trademark shown here on grounds of non-use:



The mark had been registered in 2002 in respect of a range of goods in Classes 3, 5, 9, 24, and 25, and product development/design services in Class 42. It was challenged by an application for cancellation on non-use grounds a few years later, in 2012.

¹⁵² *Id.* ¶ 26.

¹⁵³ *hyphen GmbH v. EUIPO*, the other party to the proceedings before the Board of Appeal of EUIPO, intervener before the General Court, being *Skylotec GmbH*, Case T-146/15, [2016] ECR II-___ (GC, Sept. 13, 2016) (EC:T:2016:469).

The EUIPO's Cancellation Division allowed the application for cancellation for a number of the goods and services, but refused it (and thus upheld the registration) in respect of clothing, footwear, headgear, and certain other products and services. However, on appeal, the EUIPO's Fourth Board of Appeal revoked the EU trademark in respect of these remaining goods.

The present action before the EU General Court was brought by the trademark owner, seeking the annulment of the EUIPO Board of Appeal decision. At issue was whether the trademarks that had actually been used by the trademark owner in respect of the goods and services concerned were, or were sufficiently close to, the one covered by the registration. The Board of Appeal had decided that they were not. The marks in use are shown below (note: the numbers assigned below to the marks are added for reference purposes and do not form part of the mark as used):



“sign No. 1”



sign No. 2”



“sign No. 3”

According to Article 15(1) of the EUTM Regulation, the notion of use of an EU trademark is considered to include use “in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered.”

The EU General Court held that the EUIPO Board of Appeal was wrong to have regarded the addition of a circle (and use of the color blue) to have altered the distinctive character of the mark, and annulled the Board's decision in relation to the goods for which the above marks were shown to have been used.

The EU General Court reasoned that a finding that the registered mark's distinctive character has been altered “calls for an assessment of the distinctive or dominant character of the components added, on the basis of the intrinsic qualities of each of those components, as well as on the relative position of the different components within the arrangement of the trademark.”¹⁵⁴ The correct approach was therefore to consider the added component on the basis of its intrinsic quality and its position within the arrangement of the trademark.

It found that the EUTM under consideration drew its distinctive character from the only figurative element that it contains, and that by virtue of the fact of its having been registered,

154. *Id.* ¶ 37.

this element had to be regarded as having a minimum of distinctive character. In contrast, the circle added in signs Nos. 1 and 2, being “one of the simplest and most common forms and basic geometric figures” had no distinctive character, while its thickness was insufficient to give it such a character. As such, this added component had no distinctive or dominant character in the composition of the registered mark.

The EU General Court also disagreed with the EUIPO Board of Appeal’s finding that the addition of a circle transformed the sign from resembling a “dog bone or a dumbbell” into, in the case of signs Nos. 1 and 2, looking “more like a button.” It held that, whether the mark was shown in its registered form or surrounded by a circle, the registered mark retained its distinctive character. According to its analysis,

... the registered mark and the additional component could not be said to form an inseparable whole. The additional component is not ancillary; indeed it is juxtaposed onto the registered mark, but will not be confused with it to the point where the public, faced with the mark as registered and signs Nos. 1 and 2, will have the impression that the latter convey different concepts or different meanings.¹⁵⁵

The EU General Court observed that, while it is true that the weaker a registered mark’s distinctive character, the easier it is to alter its distinctive character through the addition of a distinctive component, it is not similarly the case that simply adding a component that lacks a distinctive character to a registered mark would alter the mark. “Otherwise, it would be virtually impossible for proprietors of trademarks such as the registered mark at issue here, consisting of a single figurative element, to adapt the registered mark to changing tastes in order to modernize it.”¹⁵⁶

The EU General Court went on from there to hold that neither the use of the color blue in sign No. 2 nor the verbal additions in sign No. 3 altered the distinctive character of the mark.

The outcome of this case is evidently very much “in the eye of the beholder.” The General Court’s focus was very much on the notion of the simplicity of a circle as the added element, and what is interesting is the fixedness of that focus given the strength of the alternative argument, namely that, in this particular case, the circle really had done something transformative to the mark.

155. *Id.* ¶ 50.

156. *Id.* ¶ 52.

3. EU—CJEU—Can reasons that might help to justify why a trademark has not been used at all also be relied on to explain why only limited use of the mark has been made, and thus establish that the use (although limited) qualifies as genuine use?

Case C-252/15 P, *Naazneen Investments Ltd v. OHIM and Energy Brands Inc.*,¹⁵⁷ concerns a revocation action relating to the EUTM SMART WATER on grounds of non-use under Article 51(1) of the EUTM Regulation. The trademark owner defended the registration on the grounds that it had made genuine use of the mark or, failing that, that it had proper reasons for non-use.

The revocation action succeeded in the EUIPO, on appeal to the Board of Appeal, and on further appeal to the EU General Court.¹⁵⁸ The trademark owner fared no better before the CJEU, which dismissed its final appeal. One aspect of the CJEU's ruling deals with a point of law that is of interest, touching on the relationship between genuine use, on the one hand, and proper reasons for non-use, on the other.

The trademark owner's evidence of use disclosed rather minimal use. Although there is no quantitative requirement as such, the trademark owner had been unable to persuade the EUIPO that the amount of use made in the present case qualified the use as genuine. The product in question was water containing dietary supplements, a product that would (in its very nature) be expected to sell in large volumes. The actual sales in the present case had been very modest indeed.

The trademark owner had a number of reasons for not having used the mark more extensively, which it cited as "proper reasons for non-use." However, it also sought to bring these reasons to bear on the question of whether the use that *had* been made should qualify as genuine use. If it were able to do so, this might have rendered it unnecessary to go on to consider "proper reasons for non-use." It would also allow the trademark owner to maximize its chances of success by amalgamating the benefit of the use that it had made with the benefit of evidence which explained why the use had not been greater.

According to the trademark owner's submission, "the reasons why a mark was not used more extensively do not need to satisfy the requirements as to proper reasons for non-use. On the other hand, they should be sufficient to render plausible the reasons why

157. *Naazneen Investments Ltd v. OHIM and Energy Brands*, Case C-252/15P, [2016] ECR I-___ (CJEU, Mar. 17, 2016) (SMART WATER).

158. *Naazneen Investments Ltd v. OHIM—Energy Brands*, T-250/13, [2015] ECR I-___ (CJEU, Mar. 17, 2016) (EU:T:2015:160) (SMART WATER).

use has not been more extensive.”¹⁵⁹ The trademark owner pointed out that neither the EUIPO Board of Appeal nor the EU General Court had disputed the fact that the owner and its licensee had repeatedly started to launch the goods concerned, and persisted in their attempts to obtain a considerable market share.

The EU General Court had refused to be drawn on this, holding that the assessment of genuine use of a trademark must take into account the evidence of the use and *not* evidence explaining non-use of the mark. According to the EU General Court, “the latter evidence should be taken into account only in establishing whether or not there were proper reasons for non-use of that mark.”¹⁶⁰

The CJEU, for its part, refused to criticize this approach, and held:

the appellant is wrong in claiming that cases in which there has been no use of a mark at all should be distinguished from cases, as in this instance, of limited use, in which proper reasons may be relevant for the purposes of determining whether use is genuine. There is nothing in the text of the first subparagraph of Article 15(1) and Article 51(1)(a) of [the EUTM Regulation] to suggest such a distinction. On the contrary, it follows from the very wording of those provisions that, where a trademark has not been put to genuine use, the rights of the proprietor of that trademark must be revoked unless he justifies that lack of genuine use by the existence of proper reasons.¹⁶¹

4. EU—EU General Court—When assessing whether or not genuine use has been made of a mark, within the meaning of Article 42(2) of the EUTM Regulation, what analysis may be made of the role it plays in distinguishing trade origin?

On April 14, 2016, the EU General Court delivered its judgment in case *Henkell & Co. Sektkellerei KG v. EUIPO*.¹⁶² The case involved an assessment of whether genuine use had been made of Henkell’s mark PICCOLO.

In 2012, the intervener, an Italian company called Ciacci Piccolomini d’Aragona di Bianchini Società Agricola, sought to register the word sign PICCOLOMINI as an EUTM for “alcoholic beverages (except beers)” in Class 33. The application was opposed by Henkell, the appellant, under Article 8(1)(b) of the EUTM

159. *Naazneen Investments Ltd v. OHIM and Energy Brands*, Case C-252/15P ¶ 54, [2016] ECR I-___ (CJEU, Mar. 17, 2016) (SMART WATER).

160. *Id.* ¶ 74.

161. *Id.* ¶ 77.

162. *Henkell & Co. Sektkellerei KG v. EUIPO*, Case T-20/15, [2016] ECR II-___ (GC, Apr. 14, 2016) (EU:T:2016:218) (PICCOLOMINI).

Regulation. The opposition was based on the appellant's word mark PICCOLO, registered as an EUTM in respect of goods and services in Class 33, "alcoholic beverages (except beers), in particular wines, still wines, sparkling wines, herb wines and vermouth, and spirits) and Class 42, "providing of food and drink; temporary accommodation." It also made reference to its mark PIKKOLO, used for sparkling wine in Germany and Austria.

While the EUIPO Opposition Division upheld the opposition, the EUIPO Board of Appeal subsequently annulled the decision, on the grounds that Henkell had submitted insufficient proof that genuine use had been made of its earlier mark, within the meaning of Article 42(2) of the EUTM Regulation. Henkell challenged this decision before the EU General Court. It argued, among its submissions, that the Board of Appeal had unlawfully examined PICCOLO's distinctive character in the context of the assessment of genuine use of the mark (and held it to lack distinctive character), but that, even if the Board of Appeal had had the competence to assess the mark's distinctive character, the EU General Court would find that the mark had clearly been used as a trademark, and not only in a descriptive manner.

The dispute was underpinned by the question of whether the earlier mark had been used to indicate a certain size of bottle, rather than as a trademark in accordance with the essential function of a trademark, that is, to guarantee the identity of the origin of the goods. The EUIPO Board of Appeal had recognized that the question of whether a mark had been used as a trademark is distinct from the question of whether or not it is distinctive and registrable under Article 7(1) of the EUTM Regulation, and that the latter question could only be the subject of invalidity proceedings brought before the EUIPO Cancellation Division on the basis of Article 52(1)(a). However, on the basis of the CJEU's judgment in *Reber v. OHIM—Klusmeier*,¹⁶³ the Board of Appeal correctly held that it did have the competence to assess, in the context of the Article 42(2) proof of use requirement, whether or not the specific use claimed to have been made of the earlier mark was of a descriptive nature.

The EU General Court found that the evidence submitted by the appellant failed to demonstrate that the mark had been genuinely used as a trademark, as it did not conform to the requirements for such use set out by Article 42(2): that the proof of use relate to the place, time, extent and nature of use of the mark. The Court found that the nature of the use of the mark did not constitute genuine use under Article 42(2), upholding the Board of Appeal's decision that, regardless of how consumers understood the meaning of the term "piccolo," the way in which it was used on the applicant's bottles of sparkling wine, and on product information

163. *Reber v. OHIM—Klusmeier*, Case T-530/10 [2013] ECR II-___ (GC, May 16, 2016) (EU:T:2013:250) (Wolfgang Amadeus Mozart PREMIUM).

and invoices, did not make it possible to conclude that the term had been used as a trademark. Contrary to the applicant's claims, the appellant's name "henkell," rather than the terms "piccolo" or "pikkolo," was predominant on both the products and their packaging. The terms "piccolo" or "pikkolo" were not displayed on the packaging prominently, being typically written in much smaller writing than "henkell" and situated close to descriptive terms such as "dry sec" and "trocken." They therefore appeared as a secondary and ancillary element on the packaging, and would be taken as descriptive of the size of the bottle, rather than as an indication of the goods' commercial origin. Indeed, it was the term "henkell" that was indicative of their trade source.

This was borne out by the product folders, price lists and invoices provided by the applicant as evidence. In these, the terms featured exclusively with other descriptive terms such as "trocken" and "dry," and was automatically associated with 0.2 liter bottles in the same way as the terms "magnum" or "double magnum" are used to designate 1.5 liter or 3 liter bottles. Moreover, in the invoices the mark was used in the abbreviated form "picc," and always after the expressions "trocken dry sec" or "tro. dry sec," which describe the degree of sweetness of the sparkling wine. The court found that such abbreviations cannot be perceived as indicators of commercial origin, and that it was clear that the term "piccolo" was itself descriptive.

The EU General Court ruled that the Board of Appeal's decision had not infringed Article 42(2) of the EUTM Regulation. The Board of Appeal had not examined whether or not there were distinctiveness objections to the earlier mark, but had simply, and correctly, examined the perception of the sign resulting from the actual conditions of its use, as it was required to do when assessing the genuine use of an earlier trademark.

VII. PROCEDURAL ISSUES IN PROCEEDINGS RELATING TO EUTMS

A. Introductory Comments

Three of the six cases reported in this Part VII are CJEU or EU General Court decisions on procedural points arising in relation to EUTM opposition and cancellation cases. Three other cases are covered: two (one from the CJEU, the other from Austria) relate to infringement proceedings involving EUTMs; the last case relates to the late renewal of EUTMs.

B. Cases

1. EU—CJEU—Is the recordal of the license necessary before the licensee of a EUTM can bring an infringement claim against a third party?

Last year's [Annual Review](#) commented on the Opinion of the Advocate General of the CJEU¹⁶⁴ on a rare licensing case referred to the CJEU by the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf, Germany) for a preliminary ruling.¹⁶⁵ The CJEU's judgment in that case, Case C-163/15, *Youssef Hassan v. Breiding Vertriebesgesellschaft mbH*,¹⁶⁶ was handed down on February 4, 2016. The ruling was, as anticipated, in line with the Advocate General's Opinion, and holds that a licensee may bring proceedings for infringement of an EUTM even where the license is not registered on the EUIPO Register.

Breiding holds a license for the EUTM ARKTIS, a word mark registered for goods including bedding and blankets. The license stipulated that Breiding should bring any infringement claims in its own name. The license was not, however, recorded in the register of EUTMs. Licenses for EUTMs are covered by Article 22 of the EUTM Regulation, with Article 22(3) setting out the right of a licensee to bring infringement proceedings under a licensed EUTM:

3. Without prejudice to the provisions of the licensing contract, the licensee may bring proceedings for infringement of an EUTM only if its proprietor consents thereto. However, the holder of an exclusive license may bring such proceedings if the proprietor of the trademark, after formal notice, does not himself bring infringement proceedings within the appropriate period.

Article 22 also provides:

5. On request of one of the parties the grant or transfer of a license in respect of [an EUTM] shall be entered in the Register and published.

In 2010, Breiding began infringement proceedings in Germany against Mr. Youssef Hassan and was initially granted relief by the Landgericht (Regional Court). Hassan then submitted an appeal to the Oberlandesgericht Düsseldorf, which questioned whether or not a licensee may bring proceedings for infringement of a trademark when the license has not been registered. The

¹⁶⁴ Opinion of Advocate General Wathelet, *Youssef Hassan v. Breiding Vertriebesgesellschaft mbH*, Case C-163/15, [2015] ECR I-___ (Dec. 17, 2015) (ARKTIS) (EU:C:2015:834).

¹⁶⁵ Guy Heath, *Annual Review of EU Trademark Law: 2015 in Review*, 106 TMR 633 (2016).

¹⁶⁶ *Youssef Hassan v. Breiding Vertriebesgesellschaft mbH*, Case C-163-15, [2016] ECR I-___ (CJEU, Feb. 4, 2016) (EU:C:2016:71) (ARKTIS).

uncertainty derived from the Article 23(1) of the EUTM Regulation, which provides:

1. Legal acts referred to in Articles 17, 19 and 22 concerning an EU trademark shall have effects vis-à-vis third parties in all Member States only after entry in the Register. Nevertheless, such an act, before it is so entered, shall have effect vis-à-vis third parties who have acquired rights in the trademark after the date of that act by who knew of the act at the date on which the rights were acquired.

(Article 17 of the EUTM Regulation concerns the transfer of EUTMs, and Article 19 the ability of EUTMs to be given as security or to be the subject of rights *in rem*. As noted previously, Article 22 deals with trademark licensing.)

The Oberlandesgericht Düsseldorf referred the following question to the CJEU:

Does the first sentence of Article 23(1) of [the EUTM Regulation] preclude a licensee who is not entered in the Register . . . from bringing proceedings alleging infringement of an EU trademark?

Answering this question and closely following the Opinion of the Advocate General, the CJEU held that a “literal and schematic” interpretation of Articles 23(1) and 23(2)—the latter being a qualification of Article 23(1), relating to the position of third parties who acquire a trademark or rights to it through universal succession—reveals that Article 23 is “intended to govern the enforceability of the legal acts referred to in Articles 17, 19, and 22 of the EUTM Regulation in respect of third parties who have, or are likely to have rights in the [EUTM].”¹⁶⁷ In other words, Article 23 had no role in relation to those who, like infringers, hold no rights in relation to the mark. It was clear to the CJEU that Article 23 (1) was intended to protect those acquiring rights to an EUTM, rather than to benefit those who would infringe the mark.

The CJEU also noted that, whereas in the case of a transfer of an EUTM there is a specific rule, introduced under Article 17(6) of the EUTM Regulation, which prevents a successor in title from invoking the rights arising from a registered EUTM if the transfer has not been entered in the EUIPO’s trademark register, there is no equivalent provision relating to the licensing of EUTMs. Indeed, as the CJEU concluded, if Article 23(1) were held to preclude reliance, vis-à-vis third parties, on all the legal acts referred to by Articles 17, 19, and 22 if these acts were not entered in the register, Article 17(6) would be redundant.

The CJEU therefore held that Article 23(1) does not require a license of an EUTM to be registered before the licensee may bring

167. *Id.* ¶ 20.

infringement proceedings. It did, however, note that the licensee's right to bring proceedings for infringement is, in the first instance, subject to the trademark proprietor's consent.

2. EU—CJEU—Can partial renewal requests relating to different goods and services covered by the same trademark be submitted at different times during the renewal period?

Case C-207/15P, *Nissan Jidosha KK v. EUIPO*,¹⁶⁸ has important practical implications for trademark renewal procedure. The case, based on a dispute over Nissan's renewal of its figurative EUTM CVTC, involved the first interpretation of Article 47(3) of the EUTM Regulation by the CJEU. The case also involved yet another instance of obscurity being caused by differences arising by virtue of the translation of the relevant EU law texts, as between the languages of the different EU Member States. Judgment was handed down on June 22, 2016.

The provisions relating to the renewal of EUTMs, including Article 47(3) are as follows:

- (1) Registration of the [EUTM] shall be renewed at the request of the proprietor of the trademark or any person expressly authorized by him, provided that the fees have been paid.
- (2) The [EUIPO] shall inform the proprietor of the [EUTM], and any person having a registered right in respect of the EUTM, of the expiry of the registration in good time before the said expiry. Failure to give such information shall not involve the responsibility of the [EUIPO].
- (3) The request for renewal shall be submitted within a period of six months ending on the last day of the month in which protection ends. The fees shall also be paid within this period. Failing this, the request may be submitted and the fees paid within a further period of six months following the day referred to in the first sentence, provided that an additional fee is paid within this further period.
- (4) Where the request is submitted or the fees paid in respect of only some of the goods or services for which the [EUTM] is registered, registration shall be renewed for those goods or services only.
- (5) Renewal shall take effect from the day following the date on which the existing registration expires. The renewal shall be registered.

168. *Nissan Jidosha KK v. EUIPO*, Case C-207/15P, [2016] ECR-I___ (CJEU, June 22, 2016) (EU:C:2016:465).

As may be noted, there are two periods during which a trademark may be renewed at the end of its ten-year protection period. The first is a period of six months, ending on the last day of the month in which the protection ends. The second is an extension period of six months, available on payment of an additional fee, which begins on the last day of the month in which the protection ends.

The figurative trademark CTVC was initially registered for goods in Classes 7 (including machines and machine tools), 9 (such as computers) and 12 (vehicles), and was due for its first renewal in April 2011. In January 2011, Nissan asked for the mark to be renewed for goods in Classes 7 and 12. However, it was not until July 2011, following a notification by the EUIPO in May that the trademark had been removed from the register in respect of Class 9 goods, that Nissan requested the inclusion of Class 9 goods in the renewal of its mark. The EUIPO refused the request, and its decision was subsequently upheld by both the First Board of Appeal of the EUIPO (Case R 2469/2011-1) and the EU General Court (*Nissan Jidosha v. OHIM (CVTC)* T-572/12, not published, EU:T:2015:136).

Before the CJEU, Nissan argued, among other things, that Article 47 of the EUTM Regulation had been infringed. Nissan claimed that the wording of the Article did not preclude successive requests for partial renewal of an EUTM, but generally permitted that marks could be renewed up to the expiry of the further period allowed for in the third sentence of Article 47(3), providing the appropriate fees were paid.

The EUIPO, however, contended that the wording of the first two sentences of Article 47(3) indicated that renewals of trademarks in the extension period were “of exceptional character,” as demonstrated by the fact that such renewals were made conditional upon payment of an additional fee. The EUIPO also feared for the implications of late renewal for the European trademark system: given the provisions of Article 47(5), renewal in the further period created legal uncertainty. The EUIPO went on to argue that, as the third sentence of Article 47(3) was introduced by the words “failing this,” it could not be applied if a “complete” renewal request satisfying the conditions in Article 47(1) had already been submitted in the initial period.

The CJEU, however, noted that while the term “failing” or an equivalent expression could be found in the French, English, Spanish, and Italian versions, it did not appear in, among others, the German, Portuguese, and Dutch versions. In accordance with previous case law, “the wording in one language version of a provision of EU law cannot serve as the sole basis for the interpretation of that provision, or be made to override the other

language versions.”¹⁶⁹ Rather, as the Advocate General of the CJEU had made clear in his earlier Opinion on the case, if there was a “rule” suggested by Article 4(3), it was that the two periods were only distinguished by an additional fee in the second period.¹⁷⁰

Moreover, held the CJEU, the broader logic of Article 47(3) and the objectives of the EUTM Regulation both supported the interpretation that staggered requests for renewal relating to different classes of goods or services should be accepted. In line with the Advocate General’s Opinion, the CJEU held that:

by providing for the possibility of continuously requesting renewal of the registration of an EU trademark for periods of 10 years, and in that context, laying down two consecutive periods within which that renewal may be requested pursuant to Articles 46 and 47 of [the EUTM Regulation], that regulation aims, in view of the economic importance of the protection conferred by EUTMs, to facilitate the retention by the proprietors of those trademarks of their exclusive rights.¹⁷¹

That proprietors’ ability to retain their trademarks is a key objective of the EUTM Regulation was further confirmed by the EUIPO’s obligation to inform the proprietor of an EUTM, and those with a registered right in relation to it, of the mark’s expiry, as set out by Article 47(2). That Article 81 of the EUTM Regulation also provides for proprietors, unable to comply with a time limit despite all due care, to have their rights to a trademark re-established, further demonstrated this point.

Finally, the CJEU determined that the principle of legal certainty did not preclude the submission of additional requests for the renewal of a trademark during the further period, even when the mark had already been partially renewed for goods and services during the earlier period.

EUTM proprietors may, therefore, submit sequential partial renewal requests relating to different goods and services covered by the same EUTM, throughout the initial and extended renewal periods, although it may be assumed that few will make this a habit.

169. *Id.* ¶ 43; and *see* judgments in *Institute of the Motor Industry v. Commissioners of Customs and Excise*, Case C-149/97 ¶ 16, [1998] ECR I-I-07053 (CJEU, Nov. 12, 1998) (ESC:C:1998:536); *Kurcums Metal v. Valsts ieņēmumu dienests*, Case C-558/11 ¶ 48, [2012] ECR I-___ (CJEU, Nov. 15, 2012) (EU:C:2012:721), and *GSV v. Nemzeti Adó- és Vámhivatal Észak-Alföldi Regionális Vám- és Pénzügyőri Főigazgatósága*, Case C-74/13 ¶ 27, [2014] ECR I-___ (CJEU, Apr. 9, 2014) (EU:C:2014:243).

170. Opinion of Advocate General Campos Sánchez-Bordona, *Nissan Jidosha KK v. OHIM*, Case C-207/15P, [2016], ECR I-___ ¶ 56 (Mar. 17, 2016) (EU:C:2016:190).

171. *Nissan Jidosha KK v. EUIPO*, Case C-207/15P ¶ 53, [2016] ECR-___ (CJEU, June 22, 2016) (EU:C:2016:465). *See also* Opinion of Advocate General Campos Sánchez-Bordona, *Nissan Jidosha KK v. OHIM*, Case C-207/15P ¶ 65, [2016], ECR I-___ (Mar. 17, 2016).

3. EU—CJEU—Can a contradiction in the reasoning of an EU General Court decision amount to a “failure to state reasons” requiring the decision to be set aside?

Last year’s *Annual Review*¹⁷² reported on a rare “family of marks” case: *Debonair Trading Internacional Lda v. OHIM* (Case C-270/14P).¹⁷³ Another CJEU case involving the same family of marks, *Debonair Trading Internacional v. EUIPO*, concluded on October 27, 2016.¹⁷⁴

In its 2016 decision, the CJEU ruled on an appeal by Debonair, and a cross-appeal by the EUIPO, against the EU General Court’s judgment in Case T-341/13¹⁷⁵ that there was no likelihood of confusion between the intervener, Groupe Léa Nature’s, proposed figurative trademark “SO’BiO ētic” (see below) and Debonair’s family of marks, all of which contain the word element “so . . . ?” (For example, SO . . . ?, SO . . . ? ONE, and SO . . . ? CHIC.)



The appeal and cross-appeal were examined together, as Debonair’s contention that the EU General Court had made various errors in assessing the visual impact of the element “so,” was linked to the EUIPO’s argument that the General Court had failed to state reasons for the judgment under appeal.

The CJEU’s judgment rested on a contradiction in the EU General Court’s reasoning.

In paragraph 73 of the judgment under appeal, the EU General Court had held that, while the word element “so” in the all the trademarks in question was not descriptive, it had a laudatory function and only weak inherent distinctiveness in relation to the goods that the trademarks covered. Later in its ruling, at paragraph 87, the EU General Court adopted the EUIPO Board of Appeal’s finding in this regard, namely, that that the word element “so” had

172. Guy Heath, *Annual Review of EU Trademark Law: 2015 in Review*, 106 TMR 486 (2016).

173. *Debonair Trading Internacional Lda v. OHIM*, Case C-270/14 P, [2015] ECR I-____ (CJEU, Oct. 15, 2015) (SÓ: UNIC).

174. *Debonair Trading Internacional v. EUIPO*, the other party to the proceedings being Groupe Léa Nature, Case C-537/14 P, [2016] ECR I-____ (CJEU, Oct. 27, 2016).

175. *Groupe Léa Nature v. OHIM—Debonair Trading Internacional*, Case T-341/13 [2014] ECR II-____ (GC, Sept. 23, 2014) (SO’BiO ētic) (EU:T:2014:802).

a laudatory function when followed by another word. However, this same paragraph noted that, when used out of context, English or German speakers could also take the word “so” to mean “then,” “thus” or “therefore.” As it was, the EU General Court’s view that the laudatory function of the word element “so” gave it a weak distinctive character proved instrumental in its decision that there was no likelihood of confusion between the family of marks and “SO’BiO étic.”

However, as noted in paragraphs 71 and 72 of the judgment under appeal, the family of marks in question in fact included marks in which “so” was the sole word element, followed only by punctuation, such as in the mark “SO . . . ?” While paragraph 73 of the EU General Court’s judgment had indicated that the “so” in all the trademarks had a laudatory function; paragraph 83, had stated that “so” only had a laudatory function when followed by other words. The reasoning of the judgment was therefore contradictory on the issue of whether “so” had a laudatory function even when it was the only word element in the mark.

In accordance with the CJEU’s decision in *Isdin v. Bial Portela*,¹⁷⁶ the CJEU noted the General Court’s obligation to “disclose clearly and unequivocally the reasoning followed by it, in such a way as to enable the persons concerned to ascertain the reasons for the decision taken and the CJEU to exercise its power of review.”¹⁷⁷ Ruling that the contradiction in reasoning described above amounted to a failure to state reasons, the CJEU set aside the contested judgment and referred the case back to the EU General Court.

4. EU—EU General Court—For what purpose may, and should, the EUIPO have regard to decisions of higher courts of EU Member States when dealing with cases concerning the same trademark?

The EU General Court delivered its judgment on *Karl-May-Verlag GmbH v. OHIM*, on March 18, 2016.¹⁷⁸ The case concerned an appeal by the German publishing house Karl-May-Verlag against an EUIPO Board of Appeal decision that its EUTM, the word mark WINNETOU, was invalid.

The WINNETOU mark originated from the name of the protagonist in a series of books written in the late nineteenth-century by Karl May, one of Germany’s best-selling authors. The

176. *Isdin v. Bial Portela*, C-597/12P ¶ 21, [2013] ECR I-___ (CJEU, Oct. 17, 2013) (EU:C:2013:672).

177. *Debonair Trading Internacional* [2016] ECR I-___ ¶ 32.

178. *Karl-May-Verlag GmbH v. OHIM*, the other party to the proceedings before the Board of Appeal, intervener before the General Court being Constantin Film Production GmbH, Case T-501/13 [2016] ECR II___ (GC, Mar. 18, 2016) (EU:T:2016:161).

character, an Apache chieftain, has proved immensely popular—particularly among German readers of the novels—and has been featured in films, theatre plays, recorded media, and radio and television programs. The WINNETOU mark was registered as an EUTM in respect of certain goods and services in Classes 3, 9, 14, 16, 18, 21, 24, 25, 28, 29, 30, 39, 41, 42, and 43. The goods and services covered by the mark included recorded films and all kinds of merchandise—such as: perfumes, jewelry, printed matter, stationery, leather goods, household containers, textiles, clothing, games, and foods; as well as services such as entertainment, film production, and events.

In 2010 the intervener, Constantin Film Production GmbH, applied for a declaration of invalidity of the EUTM. While its invalidity claim was rejected by the EUIPO Cancellation Division, the EUIPO Board of Appeal partially upheld the claim. It held that the mark was both descriptive and devoid of distinctive character within the meaning of Article 7(1)(b) of the EUTM Regulation, except in respect of “printer’s type” and “printing blocks” in Class 16. The EUIPO’s decision took into account the judgments of German national courts, in particular that of the Bundesgerichtshof (German Federal Supreme Court) which had held that, as German consumers would understand the term “Winnetou” to refer to a fictional, noble and good Native American chieftain, the mark was descriptive in Germany of the printed matter, film production, and publishing of books and materials covered by the mark in the case before the German courts.

Karl-May-Verlag’s main argument was that the EUIPO Board of Appeal’s ruling infringed the principles of autonomy and independence of the system of EUTMs, as it was based exclusively on decisions from German courts, and there had been no independent assessment of it using the criteria established for that purpose under EU law. The EUIPO, the applicant claimed, had therefore taken an approach that was contrary to the principle of an autonomous system of EUTMs, which is to be applied independently of any national system and has its own rules and objectives.

The EU General Court found that, with the exception of claims brought under Article 8(4) of the EUTM Regulation, which specifically deals with grounds for objections to EUTMs which arise under national law rights, the EUIPO and the EU General Court are not bound by the decisions of national administrative bodies or courts. However, it held that, in light of the CJEU’s ruling of February 12, 2009, in *Bild digital and ZVS*,¹⁷⁹ the EUIPO Board of Appeal had been obliged to consider the German case law in the

179. *Bild digital GmbH & Co. KG, formerly Bild.T-Online.de AG & Co. KG and ZVS Zeitungsvertrieb Stuttgart GmbH v. Präsident des Deutschen Patent- und Markenamts*, Joined Cases C-39/08 and C-43/05 [2009] ECR I-____ 00020 (CJEU, Feb. 12, 2009) (EC:C:2009:91).

present case, as the German case law dealt with the same mark, came from a higher national court, related to near identical goods and services, and had been handed down shortly after the WINNETOU EUTM was filed.

In its analysis of the EUIPO Board of Appeal's decision, the EU General Court observed that the Board of Appeal had generally accepted the findings set out in the German court decisions, without carrying out an independent assessment in light of the arguments and evidence submitted by the parties in the case at issue. The EU General Court found that "the Board of Appeal treated the decisions of the German court not as possessing an indicative value as evidence in the context of the assessment of the facts of the case, but as binding as to the registrability of the contested mark."¹⁸⁰ It therefore upheld the applicant's argument, and ruled that the EUIPO's decision must be annulled in so far as it upheld the application for a declaration of invalidity.

The EU General Court also considered it necessary to examine whether the EUIPO Board of Appeal had failed to meet its obligation to state the reasons for its decision. The Board of Appeal had decided that the sign WINNETOU was generally perceived by the relevant public—in this case, the German public—as being connected to the concepts of "Native American" or "Native American Chieftain." However, the EU General Court held that this finding was not based on any specific analysis that established that the public understood the mark as relating to these concepts, beyond its meaning as an evocation of a fictional character. It therefore held that "the inadequacy of the statement of reasons . . . makes it impossible to understand, in a clear and unequivocal manner, the conclusion attached to the reasoning followed by the Board of Appeal in its assessment of the sign."¹⁸¹

The EU General Court further held that the EUIPO Board of Appeal gave an "excessively abstract and general" statement of reasons for the mark's invalidity, rather than assessing the relationship between the mark and each of the goods and services in question. While a general approach is valid where a series of goods and services have a sufficiently direct and specific link to each other as to form a homogenous category, the General Court found that no such homogenous categories could be formed in this case (see, by contrast, the EU General Court's decision in *salesforce.com v. EUIPO*, above). In the opinion of the EU General Court, goods that had been characterized simply as "merchandising goods" by the EUIPO Board of Appeal were not directly or specifically linked together: they came from eleven different classes, and included a

180. *Karl-May-Verlag GmbH v. OHIM*, the other party to the proceedings before the Board of Appeal, intervener before the General Court being Constantin Film Production GmbH, Case T-501/13 ¶ 42.

181. *Karl-May-Verlag GmbH v. OHIM*, Case T-501/13 ¶ 60.

range of goods such as “perfumery,” “stationery,” “games,” “decorations for Christmas trees,” “computers,” “gymnastic and sporting equipment,” “meat,” and “plastic materials for packaging.” The EU General Court found that the nature, characteristics, intended purpose and marketing of such goods prevented them from forming a homogenous category, and that the explanation given by the EUIPO Board of Appeal for their grouping—that “merchandising goods” are common to every field—was insufficient.

Indeed, the only reasons given by the EUIPO Board of Appeal for concluding that the mark had a descriptive character in respect of the goods concerned were statements that, as the goods were connected to the film or book character, consumers would assume they were merely advertising material and would not deduce that the name WINNETOU was a designation of their commercial origin. The EU General Court considered this explanation inadequate, as it did not make it clear why the WINNETOU mark should be regarded as having a sufficiently direct and specific link to the goods in question for the public to immediately perceive it as a description of the goods or one of their characteristics.

The EU General Court therefore annulled the contested decision for breach of the principles of autonomy and independence of the EUTM, and on the ground that the EUIPO Board of Appeal’s statement of reasons was inadequate.

5. EU—EU General Court—Must the EUIPO take into account evidence of a trademark’s reputation submitted in previous opposition cases when considering a reputation-based opposition to a later trademark application, if the opponent has referred to the cases concerned in its submission?

On September 9, 2016, the EU General Court delivered its judgment in *Puma S.E v. EUIPO*.¹⁸² The case concerned the use of dilution/unfair advantage opposition grounds by the owner of the well-known sportswear brand PUMA against a machine tool company. The specific ruling concerns a procedural issue of importance to owners of trademarks that have frequent occasion to bring opposition cases: how they can effectively bring to bear in a new opposition case the satisfactory outcomes that they have achieved in past cases.

The dispute stemmed from a 2013 application by Gemma Group Srl, the other party to the proceedings before the EUIPO Board of Appeal, to register the following figurative mark as an EUTM in

182. *Puma S.E v. EUIPO*, the other party to the proceedings before the Board of Appeal being Gemma Group Srl, Case T-159/15 [2016] ECR II-___ (GC, Sept. 9, 2016) (ECLI:EU:T:2016:457).

respect of goods in Class 7, namely “Machines for processing of wood; machines for processing aluminum; machines for treatment of P.V.C.”



Puma opposed the registration on the grounds of Article 8(5) of the EUTM Regulation, which provides for special, broader, protection for trademarks that “have a reputation.” Its opposition was based on certain earlier International Registrations designating EU Member States (shown below). Both are registered for goods in Classes 18, 25, and 28.



IR Mark No. 480105



IR Mark No. 593987

The EUIPO Opposition Division rejected the claim in its entirety, a decision that was upheld by the EUIPO’s Fifth Board of Appeal in December 2014. The Board of Appeal rejected evidence of the earlier marks’ reputation and found that, even had their reputation been proven, the opposition under Article 8(5) would have failed as there was no evidence that the use of the contested mark would take an unfair advantage of the distinctive character or the repute of the earlier marks, or be detrimental to their distinctive character or repute.

Puma contested the decision before the EU General Court, claiming that the Board of Appeal’s ruling infringed the principle of sound administration. Among its arguments, Puma claimed that the EUIPO had erred in law by departing from its decision-making practice. Puma’s submissions to the Board of Appeal had relied on the fact that its earlier marks had been found to have a substantial reputation in three recent decisions of the EUIPO, in cases which concerned goods which were identical or similar to those at issue and in which extensive evidence demonstrating the marks’

reputation had been submitted.¹⁸³ That the mark had a substantial reputation was also clear from the decisions made by the trademark offices of certain EU Member States¹⁸⁴ and the EU General Court itself (*Bounding feline* T-666/11).¹⁸⁵

In its contested ruling, the EUIPO Board of Appeal did not examine or even mention its own earlier decisions, to which Puma had referred it, but had simply stated that it was not bound by its previous-decision making practice. In its submissions to the EU General Court on appeal, the EUIPO also claimed that it had not needed to take any of these decisions into account, as none of the evidence used to demonstrate the earlier marks' reputation in those cases had been submitted to the Board of Appeal in the present case. However, the EU General Court noted that, in its written pleadings before the EUIPO Opposition Division, Puma had submitted that there was a recent decision-making practice of the EUIPO, which concluded that the earlier marks had a reputation and were widely known to the public; supporting this claim by reference to the three EUIPO decisions in question. The EUIPO's decision of May 30, 2011 (opposition No. B1291618) had found, on the basis of a large amount of evidence, that the earlier mark No. 480105 had a substantial reputation in France, in light of its use of on the French market in relation to goods in Class 25 (clothing, boots, shoes, and slippers). Similarly, the EUIPO's decision of August 30, 2010 (opposition No. B1287178) indicated that, in light of extensive evidence, the earlier mark No. 593987 had a substantial reputation in the European Union in respect of clothing, footwear, headgear, and sports articles not included in other classes. In the third EUIPO decision, opposition No. B1459017 of August 20, 2010, the EUIPO also concluded that the earlier mark No. 593987 enjoyed a high degree of distinctiveness as a result of its "long standing and intensive use" and "high degree of recognition."

The conclusions reached in these decisions as to the earlier marks' reputations were borne out by the decisions of the national offices referred to, and a decision of the CJEU. The decision of the Polish trademark office had given a detailed account of the evidence on which it based its assessment of the earlier marks' reputation, which included Puma's global advertising and marketing campaigns, sponsorship of sports personalities and 60-year presence on the market. The decisions of the French and Portuguese trademark offices had also made it clear that the mark was widely

183. Opposition No. B1291618 of May 30, 2011; Opposition No. B1287178 of August 30, 2010; and Opposition No. B1459017 of August 20, 2010.

184. The decisions accepted as evidence by the EUIPO and General Court were: decision of the Polish Patent Office (July 4, 2008); decisions of the French INPI (April 10, 2013; October 25, 2012; Nov. 13, 2012) and Portuguese INPI (March 10, 2009).

185. *Budziewska v. OHMI—Puma (Félin bondissant)*, Case T-666/11 ¶ 37, [2013] ECR II— (GC, Nov. 7, 2013) (EU:T:2013:584).

known to relevant public, especially in respect of clothing. Finally, it was evident from the CJEU's judgment in *Bounding feline*, that the "design [corresponding to the earlier marks has a] reputation."¹⁸⁶ While the CJEU case had concerned invalidity proceedings in respect of a design, the EU General Court still considered this to be relevant to the present case since the basis of the design invalidity claim had been the earlier designs "made available" in Puma's international trademark registrations, including those shown above.

The EU General Court was clear that the EUIPO must state the reasoning behind its rulings: Article 41(2) of the Charter of Fundamental Rights of the European Union indicating that the right to good administration includes the obligation of the administration to give reasons for its decisions. Furthermore, the Court held that, following the CJEU's ruling in *Agencja Wydawnicza Technopol v. OHIM* (C-51/10 P),¹⁸⁷ the principles of equal treatment and sound administration required the EUIPO to take into account decisions "already taken in respect of similar applications and consider with especial care whether it should decide in the same way or not . . ." and to ensure that the examination of any trademark application was "stringent and full." It further noted that Regulation No. 2868/95 expressly provides that, when examining an appeal against a decision of the Opposition Division, "the Board of Appeal enjoys the discretion deriving from the third subparagraph of Rule 50(1) of Regulation No. 2868/95 and from Article 76(2) of [the EUTM Regulation] to decide whether or not to take into account additional or supplementary facts and evidence which were not presented within the time limits set or specified by the Opposition Division."

It was clear to the Court that the earlier marks had been found to have a significant reputation, and that this finding was of a factual nature. It held that, in accordance with the principle of sound administration, the EUIPO Board of Appeal should have asked Puma to submit supplementary evidence of the earlier marks' reputations, or provided the reasons for its view that the findings of the previous decisions ought to be discounted in the present case. Moreover, such an explanation was particularly important, as some of the earlier decisions referred in detail to evidence that the EUIPO Board of Appeal should have known existed.

The EU General Court found that the EUIPO had infringed the principle of sound administration, especially in its obligation to state the reasons on which its decisions are based and annulled the EUIPO's decision as far as it had rejected Puma's opposition.

186. *Budziewska v. OHMI—Puma (Félin bondissant)*, Case T-666/11 ¶ 36.

187. *Agencja Wydawnicza Technopol v. OHIM*, Case C-51/10 P ¶ 7 4-77, [2011] ECR I-01541 (CJEU, Mar. 10, 2011) (EU:C:2011:139).

6. EU—EU General Court—Can an EUTM applicant seek partial annulment of an EUIPO Board of Appeal decision by reference to a newly formulated limitation to the goods that are specified in its application, which indicates that the goods are for a defined, limited purpose?

An EU trademark applicant cannot work around an adverse EUIPO Board of Appeal decision by submitting a purpose-based limitation to its goods as part of its appeal to the General Court. So ruled the EU General Court on March 11, 2016, in Case T-840/14, *International Gaming Projects Ltd v. OHIM*, Sky plc intervening.¹⁸⁸

The applicant, International Gaming Projects, had applied to register as an EUTM a figurative sign featuring the words “SKY BONUS.” The application was in Classes 9 and 28 for computer programs, electronic components, and certain amusement and gaming apparatus. The application was opposed successfully by the owners of a SKY trademark under Article 8(1)(b) of the EUTM Regulation (likelihood of confusion). An appeal by the applicant to the EUIPO Board of Appeal was unsuccessful.

On further appeal to the EU General Court, the applicant sought annulment of the Board of Appeal decision in part, asking that registration of its mark be allowed in relation to the same list of goods that it had originally specified, but only insofar as those goods relate “exclusively to Video Bingo games for recreational machines for casinos and amusement arcades.”

The EU General Court ruled the action for annulment to be inadmissible. It observed that the EUIPO Board of Appeal had not been asked to rule on the question of likelihood of confusion in the context of goods which (per the applicant’s submission to the Court) were intended for a specific limited purpose. On the contrary,

. . . it is precisely the comparison of the goods with their generic and varied characteristics as applied for initially—and not those specified *a posteriori*—which led the Board of Appeal to find that there was a likelihood of confusion between the marks in question. Consequently, in contrast to a situation in which an applicant withdraws from its application for [an EUTM] certain of the goods for which it had initially requested registration, in the present case the applicant’s application concerns a comprehensive and inseparable assessment by the Board of Appeal in the contested decision, which is not capable of being annulled in part.¹⁸⁹

188. *Gaming Projects Ltd v. OHIM*, the other party to the proceedings before the court of appeal, intervener before the General Court, being Sky plc, Case T-840/14, [2016] ECR II—(GC, Mar. 11, 2016) (EU:T:2016:163)

189. *Id.* ¶ 25.

The EU General Court contrasted the present action for annulment with a situation in which an applicant might declare to the EU General Court, following an adverse Board of Appeal decision, that it was withdrawing certain selected goods from the contested application as originally filed. That would simply be treated as an indication that the scope of the challenge to the Board of Appeal decision was limited to the remaining goods. This differed from the current situation, in which the applicant was seeking to alter a characteristic of the goods, which would involve a change in the subject-matter of the proceedings pending.

7. Austria—Austrian Supreme Court (OGH)—In EUTM infringement proceedings, when can (or could) an invalidity-based defense to the infringement claim prevail in advance of a ruling on a related counterclaim that the EUTM be held invalid?

On July 12, 2016, the Austrian Supreme Court (OGH) requested a preliminary ruling from the CJEU as to the possibility of EU national courts ruling on an invalidity-based defense without first ruling on a parallel invalidity-based counterclaim (4 Ob 223/15w—Baucherlwärmer). The issue, which the CJEU will rule on under Case No. C-425/16, arose in an infringement case defended on the basis that the plaintiff's mark had, according to the defendant, been applied for in bad faith. The OGH is asking the CJEU whether it is permissible to consider this within the context of the infringement case, or whether it must first rule on a parallel invalidity counterclaim based on the same bad faith grounds.

The EUTM in question, owned by the plaintiff, Raimund Hansruede, is the mark BAUCHERLWÄRMER (“Belly Warmer”), registered in Classes 29, 30, and 33 in relation to, among other things, liqueurs and schnapps. The defendant sold a similar product under the same mark.

Based on its rights in the BAUCHERLWÄRMER EUTM, the plaintiff filed an infringement action. The defendant argued that the action should be dismissed, as the plaintiff had been in bad faith when applying for the EUTM—this being an invalidation ground under Art 52(1)(b) of the EUTMR. This allegation featured both in the defense and in a counterclaim, by which defendant requested that the EUTM be declared invalid.

The court of first instance deferred its consideration of the counterclaim until a final decision had been reached regarding the infringement claim. It went on to dismiss the infringement action on the ground that the plaintiff's application for the EU trademark had indeed been made in bad faith (Handelsgericht Vienna, Case No. GZ II Cg 5/ 07h—211). The Court of Appeal (OLG Vienna Case No. GZ 5R 115/155-215) upheld this decision, pointing to Article 99 of the EUTMR. However, as noted below the interpretation of

Article 99 presents considerable difficulties, and the position is made more complicated by the fact that the wording of Article 99(3) has changed significantly as from March 23, 2016.

Article 99 of the EUTM Regulation as it stood at the relevant time provided:

Presumption of validity—defense as to the merits

1. The EU trademark courts shall treat the EU trademark as valid unless its validity is put in issue by the defendant with a counterclaim for revocation or for a declaration of invalidity.
2. The validity of an EU trademark may not be put in issue in an action for a declaration of non-infringement.
3. In the actions referred to in Article 96 (a) and (c) a plea relating to revocation or invalidity of the [EU] trademark submitted otherwise than by way of a counterclaim shall be admissible in so far as the defendant claims that the rights of the proprietor of the [EU] trademark could be revoked for lack of use or that the [EU] trademark could be declared invalid on account of an earlier right of the defendant.

(Paragraphs (a) and 9(c) of Article 96 refer, in wide terms, to infringement actions brought in respect of EU trademarks.)

It may be noted that Art 99(1) of the EUTM Regulation lays down the principle that an EUTM must be regarded as being valid for purposes of an infringement claim based upon it, unless it is challenged by way of counterclaim. However, Art 99(3) allows the court a certain latitude in this regard—but one that is limited in its application. (That is to say, Article 99(3) in the form shown above does not apply to all kinds of revocation and invalidity action. As will be explained below, its application has become more circumscribed still following a change in the law in 2016.)

The plaintiff filed a further appeal with the Austrian Supreme Court on grounds of law, arguing that without a final and binding decision in the invalidity action, the issue of bad faith could not permissibly be addressed in the infringement action. There is a lot that hides beneath the surface of this question; the argument effectively raised a series of linked questions:

- May an infringement action be dismissed on the grounds of an objection that the EUTM was applied for in bad faith, if a counterclaim for a declaration of the EUTM's invalidity had been filed, but not yet ruled on?
- If not, may the court dismiss the infringement action on the ground that the EUTM was applied for in bad faith if the court, at least simultaneously, upholds the counterclaim for a declaration of invalidity?

- Or, would the defense that the EUTM was applied for in bad faith only be successful against a claim of infringement, once the counterclaim that the mark was invalid had been upheld with final and binding effect?

Austrian and German legal teaching indicates that a defense of invalidity can only be successful if the trademark has been declared invalid by the relevant court's ruling on the counterclaim. However, it is unclear whether the decision on the counterclaim must be final and binding. Since there are arguments both for and against the different positions, the Austrian Supreme Court's request for a preliminary ruling was based on the following considerations:

First, the question of whether a decision on the infringement claim is possible only once a decision on the counterclaim has been reached, is only relevant when the invalidity defense raised with the counterclaim would determine the outcome of the decision on the infringement action. It is not relevant where the infringement action must be rejected for other reasons, including, for example, the lack of a likelihood of confusion. As a result, the court's considerations would only cover cases where the success of an infringement action is dependent on a defense of invalidity alone, as is the position in the case in question.

Second, according to Article 99(1), a defense of invalidity can be successful only if the defendant introduces a counterclaim that attacks the trademark as invalid, which may suggest that the mere *filing* of the counterclaim would be sufficient. However, it is unlikely that this conclusion meets the purpose and intention of the article, which is intended to ensure that decisions on validity apply to both the parties of a litigation ("*inter partes*") and everybody ("*erga omnes*").

The OGH had found that an infringement action could only be dismissed on the basis of an invalid trademark, if the trademark was declared invalid at the same time as the infringement action was dismissed. While it noted that there may be practical reasons which require the decision on the infringement claim to be reached before the decision on the counterclaim is final and binding, it also pointed out that the Article could also be construed in a way that suggested that a decision on the infringement action was only possible once the counterclaim was final and binding. Therefore, it was necessary to ask the CJEU to take a position.

Against this background, the Austrian Supreme Court submitted a request for a preliminary ruling to the CJEU on the following questions based on Art 99(1):

1. May an action for infringement of an EU trademark be dismissed on the grounds that the trademark application was filed in bad faith if, despite the defendant having brought a counterclaim for a declaration of the EU

trademark's invalidity, the court has not yet ruled on that counterclaim?

2. If not, is the court permitted to reject the infringement action on the basis of an objection that the trademark application was filed in bad faith, if the court at least simultaneously upholds the counterclaim for a declaration of invalidity, or must the court delay the decision on the action for infringement until the decision on the counterclaim is final and binding?

Although it is probably unnecessary for the CJEU's judgment to take this into account, there are significant differences between the old (2009) and the new amended version of Article 99 of the EUTM Regulation. While Article 99(1) and 99(2) are nearly identical in the two versions, Article 99(3) has changed considerably, and now provides:

3. In the actions referred to in points (a) and (c) of Article 96, a plea relating to revocation of the EU trademark submitted otherwise than by way of a counterclaim shall be admissible where the defendant claims that the rights of the proprietor of the EU trademark could be revoked for lack of genuine use at the time the infringement action was brought.

The changes to the provision indicate that it is no longer effective for a defendant to submit a plea in infringement actions relating to the invalidity of an EU trademark (on any basis whatsoever—including earlier rights or bad faith) in a form other than a counterclaim. The same is now true regarding revocation claims, with the sole exception of revocation of an EUTM on grounds of non-use. While this may make relatively little difference, in practice, to the outcome of the present case, this change is likely to have considerable implications for Austrian and German preliminary injunction proceedings, where defendants cannot bring a counterclaim in addition to their defense.

VIII. INFRINGEMENT

A. Introductory Comments

This Part VIII considers cases on infringement of the exclusive rights conferred on trademark proprietors by the EUTM Regulation and the TM Directive. (See also Part VII above, which includes notes on cases dealing with certain procedural aspects of infringement cases, and Part IX below, which covers infringement cases that are interesting primarily for the defenses that were run in them.)

The rights of a trademark proprietor relating to EU trademarks are found in Article 9 of the EUTM Regulation. The parallel rights conferred by a trademark in relation to the national trademark

authorities of EU Member States are set out in Article 5 of the TM Directive (Article 10 of the recast version).

The cases featured in this Part of the Review are primarily from the EU national courts, although the first case is a ruling of the CJEU on a reference from Hungary. The national cases are from Italy, Germany, Spain, Belgium, the Netherlands, Denmark, Ireland, and England and Wales. The cases are typically from a national supreme court or court of appeal, but they include a few cases of particular interest from lower courts.

B. Legal Texts

(Note: the quoted texts are pre-2016. See Introduction)

Article 9 of the EUTM Regulation

1. [An EUTM] shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:
 - (a) any sign which is identical with the [EUTM] in relation to goods or services which are identical with those for which the [EUTM] is registered;
 - (b) any sign where, because of its identity with, or similarity to, the [EUTM] and the identity or similarity of the goods or services covered by the [EUTM] and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trademark;
 - (c) any sign which is identical with, or similar to, the [EUTM] in relation to goods or services [*which are not similar to those for which the [EUTM] is registered*], where the latter has a reputation in the [EU] and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the [EUTM].
2. The following, inter alia, may be prohibited under paragraph 1:
 - (a) affixing the sign to the goods or to the packaging thereof;
 - (b) offering the goods, putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;
 - (c) importing or exporting the goods under that sign;
 - (d) using the sign on business papers and in advertising.

[Note: The italicized wording appearing above in square brackets is effectively to be ignored, as a result of CJEU case law. In other words, the rule applies whether or not the goods

and services in question are similar, and also applies where the goods and services are identical.]

Article 5 of the TM Directive

1. The registered trademark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:
 - (a) any sign which is identical with the trademark in relation to goods or services which are identical with those for which the trademark is registered;
 - (b) any sign where, because of its identity with, or similarity to, the trademark and the identity or similarity of the goods or services covered by the trademark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trademark.
2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trademark in relation to goods or services [*which are not similar to those for which the trademark is registered*], where the latter has a reputation in the Member States and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.
3. The following, inter alia, may be prohibited under paragraphs 1 and 2:
 - (a) affixing the sign to the goods or to the packaging thereof;
 - (b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;
 - (c) importing or exporting the goods under the sign;
 - (d) using the sign on business papers and in advertising.

[Note: Again, by virtue of CJEU case law, the italicized wording appearing above in square brackets is effectively to be ignored. In other words, the rule applies whether or not the goods and services in question are similar, including situations where the goods and services are identical.]

C. Cases

1. EU—CJEU—Can an advertiser be liable for continuing use of a trademark in advertisements that the trademark proprietor has attempted to remove, or has never authorized?

Previous CJEU decisions have dealt with situations involving use of famous automobile brands by car dealers or repairers. The CJEU's decision in Case C-179/15, *Daimler AG v. Együd Garage Gépjárműjavító és Ertekesítő Kft.*,¹⁹⁰ on March 3, 2016, offers something quite new.

The case was referred to the CJEU by the Municipal Court of Budapest, in Hungary. It concerned a car dealership that had, for some years, held an after-sales services contract for MERCEDES-BENZ cars: Mercedes-Benz Hungarian Kft, an affiliate of the MERCEDES-BENZ trademark owner, Daimler AG. While that contract was in force, the dealership (defendant in the current action) had been permitted to use the MERCEDES-BENZ trademark and describe itself as an “authorised MERCEDES-BENZ dealer.” During the currency of the contract, the dealership had placed online advertising referring to itself in that way.

On termination of its after-sales services agreement, the defendant dealership contacted the providers of the online advertising service, asking it to remove references to it as an authorized MERCEDES-BENZ dealer. The dealership also wrote to a number of other websites, which had picked up and republished the “authorised MERCEDES-BENZ” reference from the online advertisement without having been asked or authorized to do so, asking them to change their own references in the same way. These efforts were not wholly successful, and both the original advertisement and various other derivative references remained online in unaltered fashion.

Daimler AG brought proceedings in Hungary against the defendant dealership. Daimler sought a declaration of infringement, an injunction requiring that the defendant should bring down the advertisement and refrain from further advertising using the MERCEDES-BENZ mark and an order requiring the defendant to publish corrective advertising.

The dealership defended its position on the ground that the continuing appearance of the advertisement was not its fault.

The Hungarian court referred to the CJEU the question of whether or not a trademark owner could prevent a third party named in an advertisement on the Internet from making use of a confusingly similar mark “even though the advertisement was not

190. *Daimler AG v. Együd Garage Gépjárműjavító és Ertekesítő Kft*, Case C-179/15 [2016] ECR-I___ (CJEU, Mar. 3, 2016) (ECLI:EU:C:2016:134)

placed on the internet by the person featuring in it or on his behalf, or it is possible to access that advertisement on the internet despite the fact that the person named in it took all reasonable steps to have it removed, but did not succeed in doing so?”¹⁹¹

(The question was framed in relation to Article 5(1)(b) of the TM Directive, but the CJEU’s answer was given in respect of both Article 5(1)(b) and Article 5(1)(a)—the latter being the “double identity” provision, which, in fact, appears to be more apposite to the case in hand).

The CJEU noted that the original placement of the advertisement by the defendant dealership, using the MERCEDES-BENZ mark—was a trademark use within the scope of Article 5(1). The CJEU held that the person named in the advertisement, in the circumstances, described in the referring court’s question—the defendant dealership, in the case in hand does not make use of the sign that could be prohibited by the trademark owner. The CJEU considered that the notion of “using” a trademark for the purpose of Article 5(1) “involves active behavior and direct or indirect control of the act constituting the use.”¹⁹² This would not be the case when “the act is carried out by an independent operator without the consent of the advertiser, or even against his express will.” It also noted that “only a third party who has direct or indirect control of the act constituting the use is effectively able to stop that use and therefore comply with that prohibition.”¹⁹³

2. Italy—Italian Supreme Court—Can acquired distinctiveness be proved (only) by means of a consumer survey?

The ruling of the Italian Supreme Court of April 19, 2016, in *Soffass S.p.A. v. Industrie Cartarie Tronchetti S.p.A.* (Case No. 7738)¹⁹⁴ seems to go a step further than simply endorsing the utility of customer surveys for proving acquired distinctiveness. It appears to establish that the acquired distinctiveness of a mark can be fully proved *only* through a consumer survey, which the court considers to be the sole tool suitable for demonstrating that a change in the public’s perception of the sign has occurred.

The decision of the Italian Supreme Court is the latest chapter of the dispute between Soffass S.p.A. and Industrie Cartarie Tronchetti S.p.A. concerning the protection of the trademark ROTOLONI, which was registered in Class 16 and has been used—

191. *Id.* ¶ 18.

192. *Id.* ¶ 39.

193. *Id.* ¶ 41.

194. *Soffass S.p.A. v. Industrie Cartarie Tronchetti S.p.A.*, Case No. 7738 (Italian Supreme Court, Apr. 19, 2016).

usually along with the house mark “Regina” as shown below—for toilet paper and kitchen towels for many years:



In Italian, the word *rotoloni* is the plural form of a word for a large roll of toilet paper, kitchen towel, or the like.

Over the years, Soffass, the owner of the mark ROTOLONI, has made an extensive marketing effort, bringing its ROTOLONI trademark before the Italian public. It has engaged in large-scale advertising campaigns with the slogan “*i Rotoloni Regina non finiscono mai!*” (“the Rotoloni Regina never runs out!”).

In 2008, Soffass challenged Industrie Cartarie Tronchetti S.p.A.’s use of the word *rotolone* (the singular form of the word *rotoloni*) on both the packaging of its product “Foxy Mega” and in the advertising campaign “*Foxy Mega, il rotolone decorato più che lungo, smisurato*” (“Foxy Mega, the large decorated roll that’s more than long, endless”), shown below:





The defendant argued that Soffass's claims should be rejected, challenging the validity of the trademark ROTOLONI on the basis that, the defendant argued, it has a merely descriptive character.

To prove that the mark ROTOLONI had acquired distinctiveness through use, Soffass filed a consumer survey showing that 51% of the interviewees linked the sign ROTOLONI REGINA to its paper rolls.

By a decision of August 25, 2011, the Court of Appeal of Milan held that the evidence filed by Soffass was not sufficient to prove that the word *rotoloni* had acquired distinctiveness through use. The Court of Appeal found first that the fact that the sign ROTOLONI had almost always been used along with the house mark REGINA shows that the former is *per se* unable to serve as a trademark; and secondly that the results of Soffass's consumer survey were not conclusive.

By its decision of April 19, 2016, the Italian Supreme Court set aside the Court of Appeal's decision for lack of reasoning with respect to the assessment of the survey which in the Supreme Court's view was a crucial point in this case.

The Supreme Court began by recalling the widely accepted principle whereby a sign can acquire secondary meaning and thus distinctiveness through use while maintaining its original descriptive meaning, since the very essence of the secondary meaning concept is that—quoting the Supreme Court's words—“the common word, while maintaining its original meaning, at the same time acquires in the consumers' perception a further meaning of distinctive sign.”

The Supreme Court also cited the principles established by the CJEU's *Kit Kat* decision (Case C-2015/14),¹⁹⁵ confirming the *Nestlé*

195. *Société de Produits Nestlé SA v. Cadbury UK Ltd.*, Case C-215/14, [2015] ECR I-____ (CJEU, Sept. 16, 2015) (EU:C:2015:604).

decision (Case C-353/03)¹⁹⁶ decision, whereby the “acquisition of distinctive character may be as a result both the use, as part of a registered trademark, of a component thereof and of the use of a separate mark in conjunction with a registered trademark.”¹⁹⁷ According to the CJEU,

regardless of whether the sign is used as part of a registered trademark or in conjunction with the registered trademark, the fundamental condition is that, as a consequence of that use, the sign for which registration as a trademark is sought may serve to identify, in the minds of the relevant class of persons, the goods to which it relates as originating from a particular undertaking”;¹⁹⁸ therefore “for the purposes of the registration of the mark itself, the trademark applicant must prove that that mark alone, as opposed to any other trademark which may also be present, identifies the particular undertaking from which the goods originate.”¹⁹⁹

In light of this case law, the Italian Supreme Court held that, in order to establish acquired distinctiveness, the mark’s owner must demonstrate a change in the public’s perception of the sign. This cannot be done simply by showing marketing and advertising investment, which do not demonstrate *per se* a “shift in the semantic meaning of the sign,” but must necessarily be done through a consumer survey, which is the only tool suitable to establish how the sign is perceived by consumers.

Therefore, according to the Supreme Court, the Court of Appeal of Milan should have assessed the *ex parte* consumer survey to establish whether or not it amounted to reliable evidence. If so, the Court should have drawn the appropriate legal consequences from the consumer survey’s results. If not, the Court should have ordered that a new market consumer survey be carried out *ex officio*.

It is hard to predict how strictly the lower Italian courts will apply the principles set forth by the Italian Supreme Court in this decision. In any case, the ruling is a clear recognition (in Italy at least) of the fact that recent developments in the CJEU case law have increasingly implied the importance of consumer surveys in proving acquired distinctiveness through use. This to a certain extent overshadows the traditional trend whereby acquired distinctiveness could be established by means of an overall assessment which takes into consideration also other factors, such as

196. *Société des produits Nestlé SA v. Mars UK Ltd.*, Case C-353/03, [2005] ECR I-06135 (CJEU, July 7, 2005) (EU:C:2005:432).

197. *Société de Produits Nestlé SA v. Cadbury UK Ltd.*, Case C-215/14 ¶ 64.

198. *Id.* ¶ 65.

199. *Id.* ¶ 66.

“the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark . . . and statements from chambers of commerce and industry or other trade and professional associations.”²⁰⁰

There is a lack of uniformity between EU member states at present in this area, as may be seen by comparing this Italian Supreme Court case to the approach of the English High Court in *Kit Kat*²⁰¹ (see above) and the German Supreme Court in *Wunderbaum*,²⁰² reported next.

**3. Germany—German Federal Supreme Court (BGH)—
Distinctiveness—Can the distinctiveness of a
trademark with respect to domestic consumers be
increased by the fact that the trademark is not only
present on the domestic market but also in numerous
other countries and that domestic consumers notice
the trademark when travelling abroad?**

The German Federal Supreme Court (BGH) delivered its decision on May 2, 2016, in the “Wunderbaum” (wondertree) case, Case No. I ZR 75/15, between Julius Sämann Ltd, Switzerland, and SISCAR Spólka z o.o.²⁰³

The case involved, on the one hand, the question of whether the inherent distinctiveness of a trademark is weakened because of a certain descriptive quality in the trademark, corresponding to the form of the product (here, an air freshener in a two-dimensional pine tree form). On the other hand, the case also concerned the question of whether the distinctiveness of a trademark may be increased due to the fact that the trademark is not only present in the country where the trademark action is brought, but also in numerous other countries, and would be seen by domestic consumers when travelling abroad.

The plaintiff is the worldwide leader in air fresheners and owner of several EUTM’s and international trademark registrations for marks in the form of a pine tree, some with and some without the term “WUNDERBAUM.” Two examples are given here:

200. Société des produits Nestlé SA v. Mars UK Ltd., C-353/03, ¶ 31; Windsurfing Chiemsee Produktions - und Vertriebs GmbH (WSC) v. Boots - und Segelzubehör Walter Huber and Franz Attenberger, Joined Cases C-108/97 and C-109/97, [1999] ECR I-02779, (CJEU, May 4, 1999) (EU:C:1999:230).

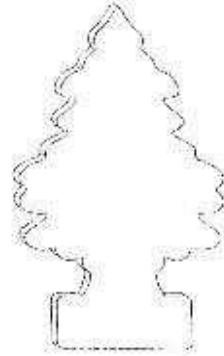
201. Société des Produits Nestlé SA v. Cadbury UK Ltd, [2016] EWHC 50 (Ch) (Jan. 20, 2016).

202. Julius Sämann Ltd (Switzerland) v. SISCAR Spólka z o.o., Case No. I ZR 75/15, (German Federal Supreme Court, May 2, 2016) (WUNDERBAUM).

203. Julius Sämann Ltd (Switzerland) v. SISCAR Spólka z o.o., Case No. I ZR 75/15 (German Federal Supreme Court, May 2, 2016) (WUNDERBAUM).

IR 612 525 in relation to “air fresheners”

The three-dimensional EU Trademark No. 307 1305, in relation to “air fresheners,” shown here:



The defendant, SISCAR Spółka z o.o., is a Polish company, and is the owner of IR No. 945 924—Forest Fresh (see figure below) for deodorant and air freshening preparations, shown here:



Germany is among the countries designated under the defendant’s International Registration. The mark was filed later than were the various tree-shaped marks of the plaintiff.

Use of this mark by the defendant for air fresheners in Germany led the plaintiff to claims an infringement of its earlier rights. Both the Court of first instance (Regional Court—Landgericht Munich) and the Court of Appeals dismissed the infringement claim. However, a final appeal by the plaintiff to the German Federal Supreme Court (BGH), on grounds of law proved to be successful.

The question of whether there is a likelihood of confusion needs to be assessed by looking at all relevant facts of the given case. In this respect, there is an integral relationship between the various factors: the degree of similarity of the goods or services; the degree

of similarity of the marks; and the distinctiveness of the older trademark. A higher degree of similarity between the goods or services may compensate for a lower degree of similarity between the trademarks (or vice versa). Similarly, the degree to which the senior mark possesses inherent or acquired distinctiveness also plays an important role, since it is axiomatic that, the more highly distinctive the earlier mark, the greater the likelihood of confusion.²⁰⁴

In applying these principles, the Court of Appeals had—the German Federal Supreme Court held—correctly found that the plaintiff's trademarks were of normal inherent distinctiveness. The Court of Appeals had correctly held that a descriptive quality in these trademarks with respect to the goods for which they were protected could potentially weaken their inherent distinctiveness. (The point being considered here was about a link between pine trees and fresh air). However, if that descriptive quality would not be apparent without careful reflection by the consumer, a weakening of the distinctiveness would, as a rule, be excluded. In applying these principles, the Court of Appeals had rightly accepted that a pine tree would not necessarily be understood as a symbol of “fresh air.” In the opinion of the BGH, the mere fact that the trademark owner had chosen for its trademark the form of a tree would not result in the conclusion that the trademark is descriptive for air fresheners. There is, as the Court stressed, no given *form* of air freshener mandated by the *function* of an air freshener.

By contrast, however, the BGH held that the Court of Appeals' finding that the plaintiff's trademarks (a) had not acquired an enhanced distinctiveness through use, and (b) had not become well-known, could not be upheld on the grounds stated. The BGH noted that, in line with leading cases of the CJEU and the German Federal Supreme Court, in determining the distinctiveness of a trademark all relevant factors must be taken into account. Such factors include the mark's characteristics, the extent of geographic distribution, the term of use of the trademark, the marketing budget, as well as the share of the relevant market that the brand enjoys. (ECJ, GRUR Int. 1999, 734—Lloyd). The examination requires that concrete facts must be evaluated; mere abstract considerations, such as the brand's enjoyment of a certain pre-ordained percentage of the market, are not relevant.

In the opinion of the German Federal Supreme Court, the Court of Appeals had not properly applied these principles. The Court of Appeals had rightly noted that the plaintiff's air fresheners had a high marketing budget and a high market share (more than 50%). Also, it had rightly noted that the products had been distributed in

204. See *Éditions Albert René v. OHIM—Orange*, Case C16/06 P, [2008] ECR I-10053 (CJEU, Dec. 18, 2008) (ECLI:EU:C:2008:739) (OBELIX/MOBILIX).

considerable numbers, including to virtually every gas station, for many years. But the Court of Appeals had not properly considered the significance of a survey conducted by the plaintiff showed that more than 30% of the relevant consumers linked the trademarks to the plaintiff—but which had been conducted several years before.

Pursuant to the case law of the CJEU and the German Federal Supreme Court, the question of whether a mark has acquired a reputation for purposes of Article 5(2) has to be assessed without requiring that a certain concrete percentage of the relevant public should know the trademarks (see *General Motors Corporation v. Yplon SA*, CJEU, Case C-375/97²⁰⁵). The necessary degree of awareness is deemed to be achieved if the older trademark has become known to an important part of the relevant consumers. Again, all relevant facts of the case must be taken into account. While the Court of Appeals applied these principles, it had not sufficiently considered that a possible public awareness of the plaintiff's marks of more than 30%, proven market share of more than 50% (as submitted by plaintiff), high marketing expenditures, overall presence of the trademark in the media, and distribution for many years, might result in the conclusion that plaintiff's trademark is well-known.

In this connection, the German Federal Supreme Court held that it was also necessary that the following considerations be looked at: While it is necessary that the increased distinctiveness of plaintiff's trademark needs to be proven for the geographic area for which protection is sought (that is, in the present case, for Germany) the court would also have to look at the question whether the original distinctiveness of the trademark could have been increased vis-à-vis domestic consumers in that the trademark had also been used outside Germany and domestic consumers would see the trademark when travelling abroad.

4. Germany—Higher Regional Court (Oberlandesgericht) Munich—How does the Court analyze trademark similarity and likelihood of confusion between stripe designs on sports shoes?

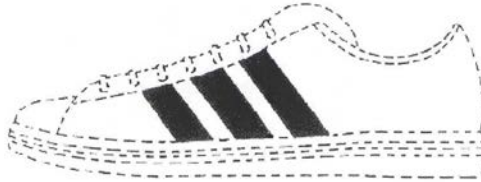
The decision of the Munich Higher Regional Court (Oberlandesgericht) in Case No. 6 U 1576/15,²⁰⁶ on April 28, 2016, deals with an infringement by Puma of adidas's "three stripes" brand. Following a spate of recent decisions relating to the distinctiveness of designs appearing on the side of sports shoes, it is interesting to see an infringement case which compares two

205. *General Motors Corporation v. Yplon SA*, Case C-375/97, [1999] ECR I-05421 (GJEU, Sept. 14, 1999) (ECLI:EU:C:1999:408).

206. *adidas AG v. Puma SE*, Case No. 6 U 1576/15 (Munich Higher Regional Court, Apr. 28, 2016).

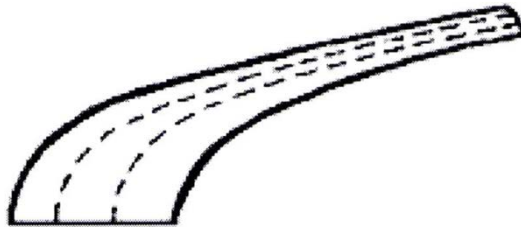
different designs of this kind. Here, the plaintiff's mark enjoys a high degree of acquired distinctiveness.

The plaintiff, adidas AG, is the owner of the EUTM shown here, dating from November 3, 2003, and registered in Class 25:

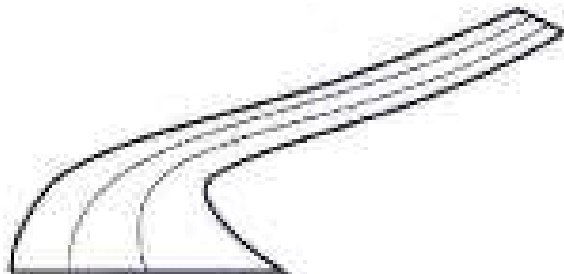


The description of the trademark reads as follows: “The mark consists of three parallel equally spaced stripes applied to footwear, the stripes positioned on the footwear upper in the area between the laces and the sole.”

Puma SE, the defendant, is the owner of the figurative EUTM of October 31, 2003, as shown here:



and of the German registered trademark (“kickback”) as depicted here:



Each of the trademarks of both plaintiff and defendant are registered in relation to “shoes.”

The case concerns the shoes shown below, with the so-called BioWeb-stripes, which Puma began to promote and sell on its online store.



Adidas claimed that this infringed adidas's rights in its "position" trademark shown above.

Applications by adidas for preliminary injunctive relief were only partly successful. Subsequently, the Regional Court (Landgericht) Munich, in its decision on the merits dated April 21, 2015 (Case No. 1 HKO 22627/13),²⁰⁷ dismissed the plaintiff's request for EU-wide prohibition of the sales and distribution of the shoes above.

However, the plaintiff's appeal against the first instance judgment proved to be successful. In the opinion of the appeal court, the Oberlandesgericht Munich, there was a likelihood of (direct) confusion between the Puma shoes, on the one hand, and adidas's EUTM. Accordingly, the use of the "BioWeb-form" stripes by Puma was an infringement under Article 9(1)(b) of the EUTMR, and adidas was entitled to an EU-wide prohibition on the use of the "BioWeb-form" stripes. The reasoning of the Oberlandesgericht was as follows.

Assessment of the likelihood of confusion needs to be carried out in light of all relevant factors. There is an interdependency among the relevant factors, in particular the identity or similarity of the signs and the identity or similarity of the goods or services, as well as the distinctiveness of the older trademark. A lower degree of similarity of the goods or services may be offset by a higher degree of similarity of the marks, or an increased distinctiveness of the older trademark, and vice versa.²⁰⁸

According to the Munich Oberlandesgericht, adidas's EUTM, with its three stripes, enjoys a very high public recognition, and thus

207. adidas AG v. Puma SE, Case No. 1 HKO 22627/13 (Munich Regional Court, Apr. 21, 2015).

208. Les Éditions Albert René SARL v. OHIM—Orange, Case C-16/06, [2008] ECR I-10053 (CJEU, Dec. 18, 2008) (ECLI:EU:C:2008:739); Case No. I ZB 2/14 (German Federal Court, Apr. 2, 2015) (ISET/ISETsolar).

enjoys an outstanding distinctiveness. As the Regional Court had correctly held, the trademark has reached this status by extensive use all over Europe. Sport shoes and sports clothing with the three stripes have been worn for decades by German and international sportspeople (including the German national football team). Nearly everybody knows adidas's three-stripe mark. Adidas is the world's second-largest sport shoe company and has extensively promoted its products with the three stripes.

The widespread public recognition of adidas's trademark extends to a significant part of the European Union; even its recognition in Germany would suffice for these purposes, given that Germany has the highest population in the European Union.

Puma defended its "BioWeb stripes" on the ground that the promotion of its shoes bearing the "BioWeb stripes" amounted to a genuine use of its Trademark No. 3513694 (shown above), of older priority, thereby limiting the scope of protection of adidas's trademark. The Oberlandesgericht Munich did not accept this argument. Apart from the fact that it was questionable whether the protected trademark, on the one hand, and the BioWeb-stripes on the shoes, on the other hand, were similar enough that the use of the latter would qualify as a genuine use of the protected mark, the Oberlandesgericht considered it still more relevant that the EUTM Regulation does not provide any rules determining that the extent of protection of an EUTM is to be influenced by the fact that earlier trademark rights exist.

In assessing the similarity of the competing signs, it is necessary to evaluate the overall impression for the relevant public—that is, the informed, reasonably attentive and knowledgeable average consumer. As a rule, the average consumer looks at the trademark as it is, without artificially analyzing its components.

Puma claimed that similarity between the adidas EUTM and the contested "BioWeb stripes" was excluded by the fact that the position of the conflicting signs was different. The Oberlandesgericht Munich disagreed. Trademarks can be similar if the positions of the conflicting trademarks (as in this case) at least partly overlap. This conclusion was in conformity with the decision of the CJEU of February 17, 2016, in *Shoe Branding Europe v. adidas*.²⁰⁹ In evaluating the similarity of the conflicting signs, the Oberlandesgericht held, it must also take into consideration the rule of experience that consumers will remember very well-known designations and are therefore likely to recognize these designations again if they are incorporated in another designation; matching

209. *Shoe Branding Europe v. adidas*, Case C-396/15P, [2016] ECR I-___ (CJEU, Feb. 17, 2016) (ECLI:EU:C:2016:95).

features of trademarks have greater weight than differences.²¹⁰ The Court also recognized that manufacturers of sports shoes frequently use different variations of the same designation, as adidas was able to prove by reference to extracts from catalogues.

The Oberlandesgericht concluded that at least a (sufficient) low degree of similarity existed between the signs to be compared, because of their common features, in their overall impression. The contested mark did not observe the clear distance from the plaintiff's EUTM that the court considered was required to avoid any likelihood of confusion, in light of the above-average distinctiveness of the adidas mark and the fact that the goods were identical. Both signs consisted of three parallel stripes running vertically to the top of the shoe exactly in the area where the respective positions of the signs were virtually identical—i.e., in the center of the side of the shoe from the sole, about halfway to the lacing. As a result of the obvious distance in between the rather thick stripes, they were clearly contrasting in color with the side of the shoe.

The Court found the differences between the conflicting marks to be less important in the similarity analysis, given that consumers would not be making an analytical side-by-side comparison. Thus, the fact that the stripes of the adidas EUTM were slightly inclined toward the tip of the shoe, whereas the stripes of the “Bioweb” shoe tilt slightly toward the heel, was not persuasive. Nor was the fact that the distance between the individual stripes is smaller in the Puma design than it is in the adidas mark. Furthermore, the court considered the further course of the “Bioweb” stripe after the bend was visually less dominant because the stripes are significantly thinner there, and the contrast in color to the surface of the shoe is less clearly visible compared with the design before the bend. In addition, as consumers are likely to remember the plaintiff's famous mark more easily, and are used to variations of the mark, there is a risk that, when looking at the defendant's “Bioweb” stripe, they would assume that they were looking at a new adidas shoe, due to the features shared with the adidas mark (partial overlap in position, threefold division, course and contrast).

The Oberlandesgericht also found, as an additional consideration, that the challenged sign might give the impression that, given the overlaps in the marks' overall impression, the intention was to demonstrate the transformation from the plaintiff's mark into a mark of the defendant, such as German figurative mark No. DE30660586 (“kickback”), by way of smooth transition.

210. BGH GRUR 2001, 148—three-stripes-designation.

5. Spain—Spanish Supreme Court—Could a “family of marks” argument improve a plaintiff’s case even though the individual marks in the family are known to separate parts of the relevant public?

In its Judgment No. 382/2016 of May 19, 2016, in Cassation Appeal No. 219/2014, the Spanish Supreme Court (First Chamber)²¹¹ confirmed the decision of the Appeal Court of Granada to cancel the Spanish registration of the trademark THE BRITISH SCHOOL OF MARBELLA (and device) and prohibit its use on the grounds of conflict with the earlier registered trademarks THE BRITISH SCHOOL OF MALAGA and THE BRITISH SCHOOL OF MADRID. The Spanish Supreme Court also considered that the trademark had been filed in bad faith as the applicant was previously an employee of THE BRITISH SCHOOL OF MALAGA.

The facts were as follows. King’s College International (and related entities) are the owners of several Spanish registered trademarks that comprise or incorporate the words “THE BRITISH SCHOOL OF” together with the name of a city, such as THE BRITISH SCHOOL OF MADRID (depicted on the left below) and THE BRITISH SCHOOL OF MALAGA (a word mark).

A former employee of The British School of Malaga filed a Spanish trademark application for the mark THE BRITISH SCHOOL OF MARBELLA. King’s College International opposed this application, but the Spanish PTO rejected both the opposition and the appeal on the basis that the trademarks were not confusingly similar since they were coincident in the non-distinctive element “THE BRITISH SCHOOL OF . . .” Given that allegations of bad faith or unfair competition cannot be invoked in opposition proceedings before the Spanish PTO, instead of further appealing the decision of the Spanish PTO, King’s College International decided to file a combined invalidity and infringement action before the civil courts against its former employee who had now registered, and was using, the trademark shown on the right below, incorporating the words “THE BRITISH SCHOOL OF MARBELLA” for a bilingual Spanish-English school for children.

211. Judgment No. 382/2016, Cassation Appeal No. 219/2014 (Spanish Supreme Court (Civil) May 19, 2016).



The claimant based his invalidity/infringement action on (i) the applicant's bad faith when filing the application, (ii) the taking of unfair advantage of the reputation of THE BRITISH SCHOOL OF MADRID, (iii) likelihood of confusion with the family of marks incorporating "THE BRITISH SCHOOL OF . . ." owned by the claimant and (iv) unfair competition acts of imitation, confusion, and taking of unfair advantage of another's reputation.

The Commercial Court of Granada initially rejected the complaint, holding, like the Spanish PTO, the common element "THE BRITISH SCHOOL" to be a generic element which could not be monopolized. This conclusion, said the Commercial Court, was confirmed by the existence of at least thirty registered trademarks in Spain that contained the words "THE BRITISH SCHOOL," many of them belonging to parties other than the plaintiff. The first instance court also held that the visual impression of the marks was dissimilar, and that the reputation of THE BRITISH SCHOOL OF MALAGA and THE BRITISH SCHOOL OF MADRID in a substantial part of the territory of Spain had not been proved.

In its decision of November 4, 2013 (Appeal No. 456/2013), the Appeal Court of Granada adopted a wholly different view and held that the trademarks were confusingly similar, not only because of the coincidence in the term "THE BRITISH SCHOOL" but also in the representation of the lion within a shield and circle device, with a ribbon beneath. In addition, the Appeal Court considered that THE BRITISH SCHOOL OF MADRID was a trademark with a reputation, so it deserved enhanced protection. As a separate invalidity ground, the Court considered that the applicant had acted in bad faith when filing the application in that he had been an employee of THE BRITISH SCHOOL OF MALAGA for two years.

On May 19, 2016, the Spanish Supreme Court confirmed the decision of the Appeal Court of Granada, cancelled the trademark registration for THE BRITISH SCHOOL OF MARBELLA (device) and ordered its owner to cease in its use. According to the Supreme

Court, “the word elements are identical, the figurative elements are very similar, the overall impression of the marks is highly similar and the services (education in English) are identical, as are the relevant consumers (i.e., persons interested in having their children receive a bilingual education)”, so it is feasible to conclude that there will be a likelihood of confusion as it has been interpreted by the CJEU in several decisions, that is, that “the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically linked undertakings, constitutes a likelihood of confusion” and that “the concept of likelihood of association is not an alternative to that of likelihood of confusion, but serves to define its scope” (see, to that effect the CJEU’s judgment in *SABEL*²¹²).

Although the claimant had raised specific reputation-based arguments (dilution and the taking of unfair advantage) in its claims, the Supreme Court relied on the reputation of the earlier mark to support its findings regarding the claims of bad faith and of likelihood of confusion, and did not need to go on to analyze the dilution and unfair advantage claims separately.

There are two interesting points in the decision of the Spanish Supreme Court.

1. Even though the complaint had been based on separate trademark registrations for THE BRITISH SCHOOL OF MADRID, THE BRITISH SCHOOL OF MALAGA, etc., and each of them, at the most, enjoyed reputation in its own city rather than in the whole territory of Spain, the Supreme Court considered that what was well-known was THE BRITISH SCHOOL OF + name of city + figurative element. Thus, the Spanish Supreme Court had, in this particular way, regard to the existence of a family of marks, even though it did not use this language or apply the family of marks theory in the usual way.
2. The Supreme Court’s findings were stated by the Court to relate exclusively to the figurative mark that had been registered and was used by the applicant, but not to the name “THE BRITISH SCHOOL OF MARBELLA” considered in abstract. The Supreme Court held that “the judgment does not prevent the defendant from using the word sign ‘THE BRITISH SCHOOL OF MARBELLA’, just like other schools in Spain that are not related to the claimant do, as long as the mark does not imitate the King’s College logo and, instead, combines THE BRITISH SCHOOL OF MARBELLA with a different figurative

212. *SABEL BV v. Puma AG, Rudolf Dassler Sport*, Case C-251/95 ¶ 18,19, [1997] ECR I-06191 (CJEU, Nov. 11, 1997) (ECLI:EU:C:1997:528).

element that is different to the one covered by the earlier marks of the claimant.”

6. Benelux—Court of Appeal Antwerp, Belgium—Can there be a likelihood of confusion if two marks coincide in elements that refer to the place of origin of the goods?

Yes. Although no one can monopolize elements referring to the (Belgian) origin of products, there may be circumstances in which a competitor can be prevented from adopting specific related branding elements and symbols which have been used (exclusively) for years by an established brand. This was the decision of Belgium’s Antwerp Court of Appeal in *Torrekens Tobacco and Landewyck v. Tobacofina and British American Tobacco (BELGA v. B)*, Case No. 2015/AR/1232.²¹³ The appeal decision follows the first instance decision of the Antwerp Commercial Court of March 3, 2015, in *Torrekens Tobacco and Landewyck v. Tobacofina and British American Tobacco (B v. BELGA)*, Case No. A/14/10010,²¹⁴ reported in last year’s *Annual Review*.²¹⁵

The case concerned a trademark infringement claim by the holders of the BELGA trademarks for cigarettes (see below, left) against the use of a figurative trademark on cigarette packaging (see below, right). BELGA is (although it has recently been replaced) Belgium’s oldest and most famous tobacco brand.



The Court of Appeal considered the marks to be visually similar, in view of the use of the big white “B” (in a similar font) with a central position on the packaging, on a red background, and the use of golden and tricolor (black, yellow, red) details. (The Belgian flag is composed of vertical black, yellow, and red bands.)

213. *Torrekens Tobacco and Landewyck v. Tobacofina and British American Tobacco*, Case No. 2015/AR/1232, (Antwerp Court of Appeal, Feb. 1, 2016) (B v. BELGA).

214. *Torrekens Tobacco and Landewyck v. Tabacofina and British American Tobacco*, Case No. A/14/10010 (Antwerp Commercial Court, Mar. 3, 2015) (B v. BELGA).

215. Guy Heath, *Annual Review of EU Trademark Law: 2015 in Review*, 106 TMR 570 (2016).

The Antwerp Court of Appeal also found that there was a high degree of conceptual similarity between the marks in view of what the court saw as clear references to the kingdom of Belgium (namely the letter “B,” the crown, the tricolor stripe, the colors black, yellow, and red). Although the Court implicitly considered these elements allusive (if not descriptive), it did not find that this would reduce the degree of similarity.

The Court of Appeal went on to find that there was a likelihood of confusion, based on the visual similarity and high degree of conceptual similarity, the fact that the marks are used for identical goods (cigarettes), and the reputation of the earlier BELGA trademarks in a significant part of the Benelux.

7. Benelux—District Court of The Hague, The Netherlands—Does the use of an advertising keyword consisting of a trademark by a party exploiting a flower delivery network constitute trademark infringement in a situation where, among other things, that party is not known by the majority of the relevant public?

Yes. The ruling of the District Court of The Hague in the *Fleurop/Topbloemen* case²¹⁶ constitutes an interesting illustration of the application of the CJEU *Interflora* judgment²¹⁷ in the field of Adwords. In *Interflora*, the CJEU held, among other things, that the trademark’s function of indicating origin is affected where the advertising displayed on the basis of that keyword does not enable reasonably well-informed and reasonably observant Internet users, or enables them only with difficulty, to ascertain whether the goods or services concerned by the advertisement originate from the proprietor of the trademark or an undertaking economically linked to that proprietor or, on the contrary, originate from a third party.

The present case, like the case which resulted in the CJEU ruling, again involves an *Interflora* entity. Fleurop, the plaintiff, is part of the Fleurop-*Interflora* group, which runs a worldwide delivery network for flowers and owns several FLEUROP trademarks. In the Netherlands, about 1,200 florists are part of this network. Topbloemen, the defendant, also runs a flower delivery network, including about 500 Dutch florists. They deliver, both in the Netherlands and elsewhere in Europe, orders which have been placed online. Since 2011, Topbloemen has been using the

216. Case No. C / 09/483170, HA ZA 15-217 (District Court of the Hague, July 20, 2016) (NL:RBDHA:2016:8293) (FLEUROP/TOPBLAEMEN).

217. *Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd.*, Case C-323/09, [2011] ECR I-08625, (CJEU, Sept. 22, 2011) (EU:C:2011:604) (INTERFLORA).

advertising keyword (Adword) “fleurop” for certain Internet ads on the Google search engine, and Fleurop objected to this, arguing among other things, trademark infringement.

The District Court concluded that this was indeed a case of infringement. In this respect, the Court considered it relevant that, among other things, the majority of the relevant public did not know Topbloemen. The relevant consumer wishing to have flowers delivered and keying in the search term “fleurop” thus would not know that Topbloemen offers a competing delivery service. And Topbloemen’s ads also did not explicitly state that Topbloemen is a competitor (i.e., and therefore not part of the Fleurop network.) The District Court found that, in the circumstances, it would be difficult for the relevant public to know whether the flowers offered through the ads originated from Fleurop, or from one of its competitors. Therefore, it is found that the origin function of the FLEUROP word mark was affected, and ruled in favor of the plaintiff.

8. Denmark—Danish Maritime and Commercial Court—When can a plaintiff rely on an additional claim based on the (lex generalis) Danish Marketing Practices Act when asserting a claim that clearly falls within the realms of a (lex specialis) trademark infringement?

In March 2016, the Danish Maritime and Commercial Court ruled in *A. P. Møller-Mærsk A/S v. World Wide Traffic ApS*.²¹⁸ The case concerned a claim by shipping conglomerate Mærsk to enjoin its competitor World Wide Traffic’s (“WWT”) use of a trademark comprising a combination of different stars, with a seven-pointed star at its core.

Mærsk is a Danish enterprise focusing primarily on international shipping services. It is the proprietor of, among others, a Danish trademark registration of a seven-pointed star device in the graphical form shown below, but registered in black and white. The trademark has been used before and after registration in a white and blue color-scheme, as shown.²¹⁹

218. *A. P. Møller - Mærsk A/S v. World Wide Traffic ApS*, Case No. V-52-14 (The Danish Maritime and Commercial Court, Mar. 31, 2016).

219. There appears to have been no argument that Mærsk’s use of its own mark in color might not have supported (from a non-use perspective) the registration which Mærsk had obtained in black-and-white. Indeed, the Court regarded it as a mark “with a reputation” in its blue and white form.



The defendant, WWT, is a smaller shipping company formed in 2012. WWT uses a more complex device mark formed of a seven-pointed star surrounded by a 24-pointed white star and 12-pointed blue star.



It was undisputed by the parties that the Mærsk trademark is a mark “with a reputation” and, therefore, by virtue of Section 4(2) of the Danish Trademark Act (equivalent to Article 5(2) of the TM Directive), that it enjoys a broader protection than is ordinarily provided to trademarks under Danish law. Mærsk claimed both that the WWT star device would cause confusion and (pursuant to Article 5(2)) that its use would take unfair advantage of the distinctive character or reputation of the Mærsk star device.

However, WWT argued that there was no risk of confusion or unfair exploitation of the goodwill connected with Mærsk’s trademark. WWT reasoned that it is common for companies in the shipping industry to use stars in their logos. Further, WWT contended that the stars and colors had both a historic and religious significance connected to the Balkan origins of the owner of WWT, and that WWT had due cause to use the Mark.

The Danish Maritime and Commercial Court began by concurring that Mærsk’s trademark is a mark with a reputation; and held that customers were likely to believe that WWT and Mærsk were connected, especially in that WWT’s mark used a similar color-scheme as well as a seven-pointed star. Against this background, the court found WWT had taken unfair advantage of the distinctive character of Mærsk’s “reputed” mark. The court summarily dismissed the defendant’s “due cause” arguments.

The Danish court found in Mærsk’s favor, additionally, under separate claims that Mærsk had brought against WWT under the Danish Marketing Practices Act, section 1 (good marketing practices) and Section 18 (unfair use of others’ business identifiers).

This is interesting, as the court decided to derogate from the *lex specialis* principle, according to which a trademark matter should—to the extent possible—be governed solely by the specialized trademark law and not the more general Marketing Practices Act. The court held that a claim under the latter should *normally* be dismissed as a plea where the matter could be dealt with under trademark law. However, due to certain special circumstances in this case—namely, the fact that the owner and CEO of WWT was a former Mærsk employee—the court held that Mærsk had a special interest in pursuing the marketing practices claims.

9. Denmark—Danish Eastern High Court—Does the use of a proprietary case law identification system constitute trademark use, and infringement, especially where the contested use is restricted to a subscription-based database?

In July 2016, the Danish Eastern High Court ruled in the appeal case *Karnov Group Denmark A/S v. J. H. Schultz Information A/S*.²²⁰ The case concerned the question of whether Karnov Group, the proprietor of the trademark UfR UGESKRIFT FOR RETSVÆSEN, could enjoin J. H. Schultz Information from using metatags and identifiers, similar to those used by Karnov, on Schultz’s subscription-based online case-law database.

Karnov has, since 1867, compiled Danish case law in a printed review under the name “Ugeskrift for Retsvæsen” or the abbreviation “UfR.” In more recent years it has also offered an online case law database compiling the cases published by Karnov in the printed review. Karnov held unregistered rights to “UfR” and “Ugeskrift for Retsvæsen” as well as a registered, figurative trademark comprising “UfR Ugeskrift for Retsvæsen.”

In order to identify cases easily, Karnov notes each case with a unique identifier, or “UfR-number,” comprising the abbreviation “UfR,” or simply the letter “U,” together with (i) the year, (ii) the page number in the printed review, and (iii) a letter indicating the ruling court (H = Højesteret/Supreme Court, Ø = Østre Landsret/Eastern High Court). For example, the reference “U 2016.100 H” identifies a case published in 2016, on page 100 in the printed review, and issued by the Supreme Court (“Højesteret”). Before publication, Karnov edits the cases received from the courts and includes a short introductory summary.

The defendant, Schultz, operates a competing case law database. The database allows the users to search for cases by using the UfR-number used by Karnov. When entering the UfR-number

²²⁰ *Karnov Group Denmark A/S v. J. H. Schultz Information A/S*, Case No. B-267-16, (Danish Eastern High Court, July 7, 2016). The case is an appeal of the Danish Maritime and Commercial Court ruling of December 18, 2015 (Case No. A-24-15).

in Schultz's database, the user would be presented with same case as published in Karnov's database. However, Schultz publishes the case in an unedited version, and without Karnov's short introductory summary.

In 2015, Karnov filed a request for a preliminary injunction against Schultz in the Danish Maritime and Commercial Court, claiming that the use of the UfR-number constituted trademark infringement of its (unregistered) rights to both "UfR" and the UfR-number, pursuant to the Danish Trademark Act section 4(1)(1) and 4(1)(2) (trademark rights acquired through use). It was undisputed that Karnov had rights to "UfR" and "Ugeskrift for Retsvæsen". However, Schultz argued that the use of the UfR-number in their database did not constitute *trademark use*. The Maritime and Commercial Court granted the injunction, finding that Schultz infringed Karnov's rights by using the UfR-number as a metatag in *combination* with a reference to the UfR-number on the front page of the decision identified.

On appeal, the Danish Eastern High Court took a different view. It found, first, that case law of a broad public interest, of the kind published in *Ugeskrift for Retsvæsen*, is generally referred to in the literature, court rulings and governmental guidelines exclusively by its UfR-number. It is therefore necessary to use the UfR-number to identify the case clearly. Further, the High Court emphasized that Schultz database was accessible to paying subscribers only, and that Schultz was publishing judgments in the form received from the courts.

Against this background, the Danish Eastern High Court held that Schultz's use of the UfR-number did not amount to a trademark infringement as it was not in itself used for marketing or commercial communication purposes. Therefore, Schultz's use did not impair the functions of the trademark. Consequently, the High Court lifted the injunction.

The Danish Eastern High Court decision reflects public interest in the availability and general use of the UfR-number as what might be considered to be a *de facto* standard. It also appears to reflect the High Court's appreciation that the UfR-numbers used by Schultz only appeared in a database for paying subscribers (not the general public), and are not generally accessible through, for example, a standard Internet search-engine. The users of the Schultz database must necessarily have been aware that the product with which they were presented did not originate from Karnov, and thus could not cause a likelihood of confusion. Further, contrary to the findings of the Maritime and Commercial Court, the Danish Eastern High Court was not persuaded by Karnov's argument that Schultz's use of the UfR-numbers allowed Schultz to move traffic away from Karnov, exploiting the efforts and investments made by Karnov.

10. Ireland—Irish High Court—When is it possible to adduce fresh evidence on an appeal to the High Court from an Irish IPO decision?

The 2016 decision of the Irish High Court in *Diesel S.p.A v. The Controller of Patents, Designs and Trademarks and Montex Holdings Ltd*²²¹ is the latest round in a dispute that has been running since 1992 in Ireland between the Italian company Diesel S.p.A and Montex Holdings Limited concerning prior rights to the DIESEL trademark in Ireland. While this is a procedural decision, from a trademark law perspective it is of interest because it helps clarify the special circumstances in which further evidence may be adduced in the context of an appeal by way of re-hearing to the Irish High Court from a decision of Ireland's Controller of Trademarks.

Essentially the Irish High Court held that the test for special leave to adduce further evidence is less stringent in the case of an appeal from a decision of the Irish IPO to the High Court than in the case of an appeal from a decision of the Irish High Court itself. The basis for this decision was that an appeal from the Controller (Irish IPO) is by way of full re-hearing of the facts and law of the case (while an appeal from a decision of the Irish High Court is based on an error of law) and that the wider public interest in maintaining and protecting the validity of the trademark register and in not admitting invalid marks to the register should be considered in deciding whether additional evidence may be adduced or not.

Montex had originally made an application for DIESEL as a trademark in Ireland in 1992. This had been opposed by Diesel S.p.A and, after a series of decisions on appeal to Ireland's Superior Courts, the opposition was upheld on the basis that there was a likelihood of confusion with Diesel S.p.A's DIESEL mark. This was all in the context of an earlier factual finding by the High Court that there was sufficient evidence of usage by both parties prior to the date of Montex's application to support the *prima facie* entitlement of Montex to make its application and of Diesel S.p.A to oppose that application. Diesel S.p.A then moved forward with its own trademark applications for DIESEL, which it had filed in 1994. Montex in turn opposed these applications, and the oppositions were upheld by the Controller, who criticized Diesel S.p.A for not having provided sufficient evidence of sales or use of its marks in advertisements or magazines in the relevant period. Diesel S.p.A then appealed to the Irish High Court, and made an application for special leave to adduce further evidence in an effort to address the deficiencies identified by the Controller.

221. Diesel S.p.A v. Controller of Patents, Designs and Trademarks and Montex Holdings Ltd, High Court 2013/641 S.P., [2016] IEHC 415 (June 9, 2016).

Prior to this decision, there was no Irish authority concerning the principles governing applications to adduce fresh evidence in appeals from decisions of the Controller of Trademarks. The relevant statutory provisions²²² and Court rules²²³ provide for an appeal by way of re-hearing to the High Court based exclusively on the evidence already heard by the Controller, and expressly state that further evidence may only be adduced with special leave of the Court. The principles for adducing further evidence in an appeal from a decision of the High Court are, however, well established,²²⁴ requiring that the relevant evidence must have been in existence at the time of trial, but must not have been reasonably available and must be credible evidence that is important to the outcome of the case.

In the present appeal, the Controller submitted to the Irish High Court that these same principles should also govern the position in the case of appeals from decisions of the Controller. The Controller argued there would be a risk that litigants might not adduce all their evidence before the Controller if they think that they could do so on appeal at a full rehearing in the High Court. In refusing to adopt this approach, the Irish High Court noted that there is a clear difference between an appeal from an Irish High Court decision and an appeal from a decision of the Controller by way of full re-hearing. In doing so, he adopted the approach of the English High Court in *Hunt-Wesson Inc.'s Trademark Application*, [1996] RPC 233 in applying the following factors and considerations:

- (i) whether the evidence could have been filed earlier and, if so, then how much earlier;
- (ii) if it could have been, what explanation for the late filing had been offered to explain the delay;
- (iii) the nature of the mark;
- (iv) the nature of the objections to it;
- (v) the potential significance of the new evidence;
- (vi) whether or not the other side would be significantly prejudiced by the admission of the evidence in a way which could not be compensated e.g. by an order for costs;
- (vii) the desirability of avoiding a multiplicity of proceedings; and
- (viii) the public interest in not admitting on the register invalid trademarks.

In adopting a less rigorous approach for the admission of new evidence in the present circumstances, the Irish High Court focused

222. Sections 25, 26, and 57 of the Trademarks Act 1963.

223. Order 94, Rule 48 of the Rules of Superior Courts.

224. *Murphy v. Minister for Defence* [1991] 2 I.R. 161.

not only on the fact the appeal was by way of re-hearing but also on the greater public interest in ensuring that the register is correct and clean and that invalid marks are not admitted to the Register. The Irish High Court downplayed the risk of parties withholding evidence and seeking to adduce it later on appeal, on the basis that this was not how litigation was managed in practice—there being no incentive for parties to adopt such an approach.

Diesel S.p.A had sought to adduce additional invoices, advertisements, magazine circulation figures, sales evidence, and certain publically available documents and letters, all of which would assist in demonstrating its usage prior to the date of trademark application. In applying the *Hunt Wesson* factors noted above, the Irish High Court first noted that there was no explanation as to why this information was not available, or as to why it had not been advanced at the time of making the original application. It went on to acknowledge that the application was clearly a reaction to the Controller's comments concerning the lack of evidence put forward by Diesel S.p.A.

Despite these adverse findings, the Irish High Court went on to focus on factors (iv), (v), and (vi) in the list above, and underlined the relevance and import of the new evidence. It found that Montex would not be significantly prejudiced by admission of the advertisements, circulation information, invoices, or sales evidence, on the basis that this was information not requiring any reply and that it really amounted to additional information of the kind already adduced in the proceedings. Accordingly, the Court admitted this evidence but refused certain affidavit evidence because that it was either based on hearsay, or was related to recollections of the marketplace more than 20 years ago—which would now be very difficult for Montex to rebut satisfactorily and therefore could unduly prejudice Montex's interests.

Overall, the decision establishes the possibility that in Ireland new evidence may be admitted by the Irish High Court in the circumstances of a trademark appeal by way of re-hearing where the evidence is potentially significant and its admission at a late stage will not unduly prejudice the other party's interests, even if it would have been available to the party concerned at the relevant earlier stage. In the absence of existing authority on the position, the Court adopted a liberal view.

11. United Kingdom—English Court of Appeal— Can evidence of “wrong way round” confusion suffice for a finding of infringement?

A decision of the English Court of Appeal in *Comic Enterprises Ltd v. Twentieth Century Fox Films*,²²⁵ examined the role of evidence of “wrong way round confusion” in an infringement claim based on likelihood of confusion under Article 5(1)(b) of the TM Directive. The case also raised interesting points in connection with an infringement claim based on dilution principles under Article 5(2).

“Wrong way round” confusion (a term favored by the defendant, not a legal term of art) is where the consumers come across the plaintiff’s mark (i.e., the protected, earlier mark on which the claim is based) and believe it to be connected to the defendant’s mark (i.e., the newer mark being contested), in contrast to an instance where a consumer familiar with the established, protected mark is confused on seeing the contested mark. This kind of situation is liable to arise where the newer mark is much more prominent because of the scale on which it is used and promoted.

In the present case, the plaintiff was a small UK operator of entertainment venues called Comic Enterprises Ltd (CEL). CEL owned a UK registered trademark, which featured the words “the glee CLUB.” The defendant was Twentieth Century Fox Films (“Fox”) and the dispute concerned Fox’s musical comedy television series *Glee*.



CEL’s mark was initially registered in 2001, and has been used extensively in the operation of the entertainment venues that CEL runs across the United Kingdom. Following a partial revocation, the specification of the mark was limited to the following services in Class 41:

Live comedy services; night club and cabaret entertainment;
music hall services; provision of live and recorded music;
dancing; provision of facilities for comedy and music

²²⁵ *Comic Enterprises Ltd v. Twentieth Century Fox Films* [2016] EWCA Civ 41 (Feb. 8, 2016).

entertainment; production and presentation of live shows and displays and the presentation of sound recordings.

Fox's television series *Glee* was launched in late 2009 for both American and British television, and was on its fourth season by the time of the trial. Its success was such that Fox sanctioned the sale of songs from the program, merchandise and two world concert tours—which were also recorded, and sold on DVD.

In September 2011, CEL began proceedings in the English High Court, alleging that Fox's activities amounted to (among other things) an infringement of its mark, and Fox was found to have infringed the mark under Section 10(2) and Section 10(3) of the United Kingdom's Trademarks Act 1994, which, respectively, implement Articles 5(1)(b) and 5 (2) of the TM Directive.

Fox appealed to the Court of Appeal of England and Wales. It also applied for permission to amend its defense and introduce an invalidity counterclaim, but reserved this point of law for a later appeal. (This is covered separately above.)

The plaintiff's case under Article 5(1)(b) had not been entirely straightforward, with the result that considerable emphasis had been placed on the evidence of confusion. Evidence of witnesses who had thought that Fox's activities sprang from CEL's club operations was scant, whereas numerous witnesses thought that CEL's operations must be connected to the TV series.

Fox argued not only that was this evidence of "wrong way round" confusion was factually irrelevant to the issue of infringement, but also that it was irrelevant as a matter of law. Fox contended that this confusion—which inevitably depends on the defendant having established a reputation for its mark—had no place in trademark law.

The English Court of Appeal disagreed on both points. Having itself reviewed the "wrong way round" evidence the Court found much of it to be factually relevant and supportive of CEL's case: demonstrating that the similarity between the trademark and the sign GLEE, and the similarity of the services provided by the two parties had led a significant number of people to believe that they were connected.

Rejecting, too, the deeper-seated argument that this form of confusion was irrelevant as a matter of law, the Court of Appeal held that whether confusion was "right way round" or "wrong way round" might simply be a consequence of the order in which the consumer happened across the sign and the mark, and "in both cases the consumer thinks that the goods or services in issue come from the same undertaking or economically linked undertakings and they may equally be damaging to the distinctiveness and functions of the mark."²²⁶

226. *Id.* ¶ 80.

The English Court of Appeal also rejected the suggestion that, as ‘wrong way round’ confusion could mean that a sign which did not infringe when it was first launched might infringe later, it should be inadmissible as evidence. The premise for that argument was false. Rather, as the Court noted, “infringement analysis involves an element of looking forward: the question is whether there is a likelihood of confusion in light of the defendant’s actual and threatened activities. Evidence of confusion which comes to light after the date of the defendants launch may assist the court to answer that question.”²²⁷

Fox’s appeal against the decision that it had infringed Section 10(3) of the United Kingdom’s Trademarks Act 1994 (i.e., a reputation-based infringement claim based on the principles set out in Article 5(2) of the TM Directive), also depended to some extent on the argument that a trademark dilution case could not be made out on evidence of “wrong way round” confusion. The argument ran that, as the extended protection offered by Section 10(3) of the UK Act was founded on the reputation of the earlier trademark, the evidence must show that it was consumers already familiar with the earlier mark who saw a link between earlier mark and the defendant’s newer one.

Again, this was rejected by the English Court of Appeal. The Court noted that it was inevitable that many consumers would learn of the defendant’s GLEE mark before they came across the plaintiff’s earlier mark, since *Glee* was broadcast nationwide in the United Kingdom to millions of viewers. However, the crucial point was that CEL’s earlier “the glee CLUB” mark had an established reputation by the time Fox had brought its *Glee* series to the United Kingdom, thus satisfying the threshold requirements for this kind of protection, even though the reputation was much smaller than the reputation which the *Glee* television series went on to acquire. Although it was inevitable that many consumers would come across Fox’s mark before they came across the plaintiff’s mark, the evidence submitted to the court about consumers’ reactions demonstrated that Fox’s use of the sign ‘glee’ was such that average consumers would make a connection between the sign and the mark.

Along with other lines of defense put up by Fox to the dilution claim, the English Court of Appeal also rejected Fox’s “due cause” defense based (in part) on free speech arguments. While the Court agreed that the television series was a creative work, it disagreed with Fox’s submission that a finding that it did not have due cause to use the mark would be an interference or a constraint upon its right to freedom of expression. Instead the Court noted that the complaint was not against the series itself, but against the name the Fox chose to call it, and it was not convinced that a satisfactory

227. *Id.* ¶ 81.

alternative name could not be found. Finding that the services covered by the marks were similar to a material degree, that there was a likelihood of confusion and that use of the contested mark had caused, and was likely to continue causing significant detriment to CEL's mark, the English Court of Appeal dismissed the appeal.

IX. LIMITATION OF RIGHTS, AND DEFENSES

A. Introductory Comments

EU trademark law contains various specific limitations on the exclusive rights provided to EU trademark owners under the infringement provisions covered in Section VIII above. Several of the case covered in this Part of the Review—which are from the CJEU (on a reference from Denmark), Austria, Germany, Spain, and Denmark—relate to these limitations, which are contained in Articles 12 and 13 of the EUTM Regulation and Articles 6 and 7 of the TM Directive (Articles 14 and 15 of the recast version). These limitations, which are noted in full in Section B below, allow for descriptive use, referential use, and use of one's own name—in each case provided that the use is “in accordance with honest practices.” The provisions also allow for the “exhaustion of rights” defense, to which two of this year's cases relate. Also included in this Part of the Review are cases dealing with other means of defense, such as the plaintiff's acquiescence, *res judicata*, and the defendant's possession of earlier rights. Where necessary, legal texts relating to these defenses are included in the text of the individual case note concerned.

B. Legal Texts

(Note: texts quoted are pre-2016. See Introduction.)

Article 12 of the EUTM Regulation

Limitation of the effects of [an EUTM]

[An EUTM] shall not entitle the proprietor to prohibit a third party from using in the course of trade:

- a) his own name or address;
- b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;
- c) the trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts, provided he uses them in accordance with honest practices in industrial or commercial matters.

Article 13 of the EUTM Regulation

1. [An EUTM] shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the [EEA] under that trademark by the proprietor or with his consent.
2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

Article 6 of the TM Directive

Limitation of the effects of trademark

1. The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade:
 - a) his own name or address;
 - b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;
 - c) the trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts;
provided he uses them in accordance with honest practices in industrial or commercial matters.
2. The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, an earlier right which only applies in a particular locality if that right is recognized by the laws of the Member State in question and within the limits of the territory in which it is recognized.

Article 7 of the TM Directive

1. The trademark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the [Community] under that trademark by the proprietor or with his consent.
2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

C. Cases

1. EU—CJEU—Can a parallel importer’s repackaging of pharmaceuticals into a smaller packet size be considered “necessary” to market the products in the country of importation if the trademark owner itself successfully markets the products in that country in both larger and smaller packet sizes?

On November 10, 2016, the CJEU ruled on the interpretation of Article 7(2) of the TM Directive, when it handed down its judgment in the parallel imports case C-297/15, *Ferring Lægemedler A/S v. Orifarm A/S*.²²⁸ The case was referred to the CJEU by the Danish Sø- og Handelsretten (Maritime and Commercial Court) and was unusual in that the parallel imports in question originated in Norway: a member of the European Economic Area (EEA), but not of the European Union. However, the question it addresses is about the necessity of repackaging.

The case concerned a medicinal product, the laxative “KLYX,” which was marketed by Ferring BV, proprietor of the KLYX trademark, in Denmark, Finland, Sweden, and Norway. The product was sold in identical packaging in all these states, either in containers of 120 ml or 240 ml or in packets of one or ten. The defendant, a parallel import business known as Orifarm, bought KLYX in packets of ten in Norway, before repackaging it into packets of one, reaffixing the KLYX trademark, and marketing it in Denmark.

At the Danish Sø- og Handelsretten, Ferring brought a trademark infringement claim, based on its Danish registered trademark KLYX, against Orifarm. The importer argued that it had a defense under the principles laid down in Article 7(1) of the TM Directive, which provides:

- (1) The trademark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in [the Community] under that trademark by the proprietor or with his consent.

(By virtue of the Agreement on the European Economic Area (EEA) of May 2, 1992, Article 7(1) may be read as including in “the Community” all the member states of the EEA, including Norway.)

The plaintiff, Ferring claimed that in line with the limitation contained in Article 7(2) of the TM Directive, it could nevertheless legitimately oppose the product’s resale by virtue of the defendant’s repackaging of the product. Article 7(2) provides:

²²⁸ *Ferring Lægemedler A/S v. Orifarm A/S*, Case C-297/15, [2016] ECR-I___ (CJEU, Nov. 10, 2016) (EU:C:2016:857).

- (2) Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put onto the market.

Ferring argued that repackaging was not necessary to gain access to the Danish market for KLYX and that Orifarm was simply trying to gain a commercial advantage. Orifarm, however, contended that it had to repackage the product in order to gain access to a particular segment of the Danish market, namely, the market for KLYX packaged in packets of one.

At the heart of the issue was the question of whether or not Ferring's opposition to the repackaging would act as a disguised restriction on trade between states party to the EEA agreement, and so create an artificial partitioning of the European single market. This would be the case if it prevented repackaging which would be necessary to allow Orifarm to market the product in Denmark. The Sø- og Handelsretten, however, questioned whether the repackaging was necessary, given that the product was available in both packets of one and ten in the EEA states in which it was marketed. It therefore referred two questions to the CJEU for a preliminary ruling:

1. Must Article 7(2) of the [TM Directive] and the related case law be interpreted as meaning that a trademark proprietor may lawfully object to the continued marketing of a medicinal product by a parallel importer, where the importer has repackaged the medicinal product in a new, outer packaging and reaffixed the trademark in a situation where the trademark proprietor has marketed the product in the same volume and packet sizes in all EEA countries where the medicinal product is sold?
2. Will the answer to the first question be different if the trademark proprietor in both the country of export and the country of import has marketed the medicinal product in two different packets sizes (10-piece packets and 1-piece packets) and the importer has purchased 10-piece packets in the country of export and repackaged them in 1-piece packets, on which the trademark has been reaffixed before the products are marketed in the country of import?

The CJEU, in its ruling on the reference, noted that trademark proprietors' opposition to the repackaging of their products cannot be permitted if that opposition would prevent the free movement of goods, by acting as a disguised restriction on trade, between states that are party to the EEA Agreement. Such a disguised restriction would exist where a trademark proprietors' opposition to the repackaging of a product would contribute to the artificial

partitioning of the markets between the EEA states, so long as the repackaging was effected in a way that protected the proprietor's legitimate interests. A trademark proprietor's opposition to repackaging would contribute to an artificial partitioning of the market, where repackaging was necessary to enable the product to be marketed in parallel (i.e., in parallel to the brand owner's own regular distribution channels) in the importing state.

The CJEU also held that settled case law, notably *Boehringer Ingelheim and Others* (Cases C-143/00 and C-348/04),²²⁹ indicated that in the absence of marketing necessity, as described above, trademark proprietors could legitimately oppose the repackaging of a trademarked medicinal product, since the change of packaging created a risk of interference with the original condition of the product. Indeed, the Court was very clear that the circumstances in an importing state needed to be taken into account when assessing the necessity of the importer repackaging the product, and drew on *Bristol-Myers Squibb v. Paranova A/S* (Joined Cases C-427/93, C-429/93, and C-436/93)²³⁰ to note that a trademark proprietor could not legitimately oppose the introduction of a new external packaging when:

the packet size used by that proprietor in the State party to the EEA Agreement where the importer purchased the product, cannot be marketed in the importing State because of, in particular, a rule authorizing packaging only of a certain size or a national practice to the same effect, sickness insurance rules making the reimbursement of medical expenses depend on the size of the packaging, or well-established medical prescription practices based, inter alia, on standard sizes recommended by professional groups and sickness insurance institutions.

The CJEU also noted, on the other hand, that

where, in accordance with the rules and practices in force in the importing State, the proprietor uses several different sizes of packaging in that State, the finding that one of those sizes is also marketed in the exporting State party to the EEA Agreement is not enough to justify the conclusion that repackaging is unnecessary. Partitioning of the markets would exist if the importer were able to sell the product in only part of his market.²³¹

229. *Boehringer Ingelheim and Others v. Swingward Ltd and Dowelhurst Ltd*, Case C-143/00 ¶ 34, [2002] ECR I-03759 (CJEU, Apr. 23, 2001) (EU:C:2002:246), and *Boehringer Ingelheim KG and Others v. Swingward Ltd and Dowelhurst Ltd*, Case C-348/04 ¶ 16, 17, 19, [2007] ECR I-03391 (CJEU, Apr. 26, 2007) (EU:C:2007:249).

230. *Joined Cases Nos. C-427/93, C-429/93, and C-436/93* ¶ 53, *Bristol-Myers Squibb v. Paranova A/S*, [1996] ECR I-03457 (CJEU, July 11, 1996) (EU:C:1996:282).

231. *Ferring Lægemedler A/S v. Orifarm A/S*, Case C-297/15 ¶ 22.

In addition, the CJEU also pointed out that it was for the parallel importer to prove the existence of conditions that made the repackaging of the medicinal products necessary.

In the present case, the CJEU noted that the referring Danish Court's request for a preliminary ruling made it clear that, in all the states that are party to the EEA agreement in which KLYX is marketed, including Denmark and Norway (i.e., both the countries of import and the country of export), Klyx was marketed by Ferring in the same packaging—both in 10-unit and 1-unit packets. It also noted that, according to the terms of reference provided by the referring Danish Court, the evidence submitted to the Court did not demonstrate that there were rules, or long-standing medical practices, in Denmark that made the repackaging of the product necessary. It held that it was:

for the referring court to determine whether one or several of the situations referred to . . . are in existence in the main proceedings. If this is not the case, the trademark proprietor can oppose the contested packaging, as long as the product imported in parallel can be marketed in Denmark in the same packaging as that in which the product is marketed in Norway.²³²

The defendant contended that opposition to the repackaging would lead to a partitioning of the market, as the defendant could then only penetrate the Danish sub-market for KLYX packaged in packets of one by importing the product in the same packaging (i.e., in packets of one) from Norway. The defendant's point appears to have been that in practice it was limited to sourcing the product in the larger 10-unit packet size. Therefore, without the contested repackaging, it could only market KLYX in a limited part of the Danish market—the market for the larger packet size. The CJEU found that these observations failed to demonstrate that the market for KLYX in packets of ten was only a limited part of the Danish market. However, it reiterated the fact that it was for the referring court to decide whether or not the market for KLYX in packets of ten was indeed limited; the defendant simply had to prove that such a situation was the case.

The CJEU ruled that Article 7(2) of the TM Directive 'must be interpreted as meaning that a trademark proprietor may object to the continued marketing of a medicinal product by a parallel importer, where that importer has repackaged that medicinal product in a new outer packaging and reaffixed the trademark, where, first, the medicinal product at issue can be marketed in the importing State party to the EEA Agreement in the same packaging as that in which it is marketed in the exporting State party to the EEA Agreement and, second, the importer has not demonstrated that the imported product can only be marketed in a limited part of

232. *Id.* ¶ 26.

the importing State's market, and those are matters which it is for the referring court to determine."²³³

**2. Austria—Austrian Supreme Court (OGH)—
Infringement—Is it possible to defend an EUTM
infringement claim by invoking a national trademark
of older priority protected in an EU member state
other than that in which the infringement is alleged to
occur?**

The Austrian Supreme Court (OGH) delivered its decision on January 27, 2016, in the Duff Beer case, *Twentieth Century Fox Film Corporation v. German Duff Beer GmbH*, Case No. 4 Ob 183/15p.²³⁴ The case involved a question as to the relevance of the defendant's ownership of a German national trademark, where infringement of the plaintiff's EUTM was alleged to occur in Austria.

The plaintiff, the Twentieth Century Fox Film Corporation ("Fox"), produces the cartoon television series *The Simpsons*, and owns the EUTM DUFF for (among other things) beer. DUFF is the name of a beer consumed by the characters featured in the series. The defendant, German Duff Beer GmbH ("Duff Beer"), owns the German national trademark DUFF BEER covering beer. Fox's mark was applied for in 2009 and registered on March 26, 2014, whereas the defendant's mark was registered in 1999, and so has older priority.

The defendant exports DUFF BEER from Germany into Austria, a practice that the plaintiff sought to prohibit through an infringement claim brought in Austria in November 19, 2014. In turn, the defendant filed a counterclaim requesting that the EUTM be declared invalid because of the defendant's older German rights.

The plaintiff filed for a preliminary injunction. This was granted by the court of first instance (Handelsgericht Vienna Case No. GZ 18 Cg 95/ 14f-21), which held that the defendant's reliance on a foreign trademark had no effect, since, in preliminary injunction proceedings, the validity and enforceability of the earlier German trademark could not be verified in Austria. The Court of Appeal (OLG Vienna Case No. GZ 4R 82 / 15f-29) confirmed the court of first instance's decision (to the extent relevant here), holding that a German national trademark would have no effect in Austria, and would therefore be of no relevance in defending a claim for infringement of the EUTM in Austria.

²³³. *Ferring Lægemedler A/S v. Orifarm A/S*, Case C-297/15 ¶ 29, [2016] ECR-I___ (CJEU, Nov. 10, 2016) (EU:C:2016:857).

²³⁴. *Twentieth Century Fox Film Corporation v. German Duff Beer GmbH*, Case No. 4 Ob 183/15p, GRUR Int. 2016, 574 (Jan. 27, 2016) (Duff-Beer).

The Austrian Supreme Court (OGH), however, took a different position. In its opinion, it followed from the “unitary character” of the EUTM,²³⁵ and also from the fact that, in the case in hand, the defendant’s reliance on its earlier rights was not directed against the (Austrian) infringement claims as such, but was, rather, intended to challenge the validity of the plaintiff’s EUTM altogether, that the infringement action could be met in accordance with Article 99(3) of the EUTM Regulation (in its pre-2016 form) by invoking an earlier trademark right effective in an EU Member State other than that in which the infringement action had been brought. According to the Austrian Supreme Court, the principle of the unitary character of a EUTM requires that the EUTM should be valid in all EU Member States, wherever earlier national trademarks may be invoked. The enforceability of the rights under a EUTM is dependent on the principle that earlier national rights may not be invoked to invalidate it.

The finding that an earlier German trademark may be invoked in the defense of infringement claims in Austria based on a younger EUTM would not conflict with the possibility of the plaintiff converting the EUTM into national trademarks in the EU Member States where the conflicting earlier right does not exist (including Austria). This is a right provided under Article 112(1) of the EUTMR. The older German trademark would not conflict with the new Austrian national trademark that would replace the cancelled EUTM as a result of the conversion process. However, although under Article 112(3) of the EUTM Regulation, the new Austrian national mark would enjoy the same priority date as the cancelled EUTM, it would not come into existence retroactively, but only with its registration under the Austrian Trademark Act.

Thus, the Austrian Supreme Court held the Austrian infringement action based on the EU trademark could not be successful considering the invalidation claim. Even if the EUTM were converted into an Austrian national trademark, allowing for the possibility of a claim being brought under the new Austrian mark, this would only work in the future.

3. Germany—Federal Supreme Court (BGH)—Parallel imports—Are the principles on parallel importation and relabeling developed in case law in respect of medicinal products under Article 13(2) of the EUTM Regulation also applicable to medical consumables?

A request for a preliminary ruling by the CJEU, pertaining to Article 13(2) of the EUTMR, was submitted on October 6, 2016, by the German Federal Supreme Court (BGH) in *Lohmann & Rauscher*

235. Recital (3) of the EUTM Regulation.

v. Europ-Vertrieb GmbH (Case No. I ZR 165/15); BGH GRUR Int. 2017, 53—Debrisoft).²³⁶

Lohmann & Rauscher, the plaintiff, is the owner of EUTM DEBRISOFT registered for sanitary products for medical purposes. Europe-Vertrieb, the defendant, is an Austrian company. The case involves the defendant's re-importation into Germany of certain of the plaintiff's products (dressing material for medical purposes) originally distributed in Austria.

Prior to the products' re-sale in Germany, the defendant had affixed a label, containing certain information about the defendant (including name and address), to the product packaging. (The label did not cover over the plaintiff's trademark DEBRISOFT.) The defendant did not inform the plaintiff in advance about the changes it was making to the packaging.

The plaintiff claimed that the defendant's conduct constituted an infringement of its trademark.

The defendant argued that the trademark rights had been exhausted under Article 13(1) of the EUTMR because the goods had been put onto the EU market by the plaintiff. The plaintiff argued, however, that Article 13(2) of the EUTM Regulation denied the exhaustion defense because the defendant had not informed it about the packaging changes in advance, and had not provided the plaintiff with a sample of the altered packaging either.

The court of first instance (LG Düsseldorf, Case No. 34 O 117/13) and Court of Appeal (Oberlandesgericht Düsseldorf Case No. I-20 U 95/14) found in favor of the plaintiff. With a further appeal on grounds of law only, the defendant is now pursuing its request to dismiss the infringement claim before the German Federal Supreme Court.

The outcome of the case is dependent entirely on the question whether the defendant can establish that the plaintiff's trademark rights have been exhausted under Article 13(1) of the EUTM Regulation. This, in turn, depends, as the German Federal Supreme Court has held, upon the proper application of Article 13(2) of the EUTM Regulation to this kind of product. The proceedings have been suspended pending a preliminary ruling from the CJEU on the legal point in question.

Pursuant to Article 13(2) of the EUTM Regulation, a defendant cannot successfully invoke the defense of "exhaustion" of the rights of the trademark owner under an EUTM where legitimate reasons exist for the owner to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

236. Lohmann & Rauscher v. Europ-Vertrieb GmbH, Case No. I ZR 165/15 (German Federal Supreme Court, Oct. 6, 2016) (DEBRISOFT).

For the purposes of applying Article 13(2), and in line with leading cases of the CJEU,²³⁷ the trademark owner may legitimately object to any change associated with any repackaging of a medicinal product bearing its trademark and which by its nature impairs the original condition of the medicinal product, unless the five conditions outlined below (as established by the case law) exist:

- it is proven that the assertion of a trademark right by the trademark owner for the purpose of opposing the commercialization of the repackaged goods under the trademark would contribute to artificial partitioning of the market between EU Member States;
- it is demonstrated that the repackaging cannot impair the original condition of the goods contained in the packaging;
- it is clearly indicated on the new packaging by whom the medicinal product has been repackaged and who is the manufacturer;
- the repackaged medicinal product is not presented such that the reputation of the trademark and of its owner can be damaged by it (i.e., so the packaging may therefore not be defective, of poor quality or disorderly); and
- the importer informs the trademark proprietor in advance about the stocking or displaying of the repackaged medicinal product for sale and, if requested delivers a sample of the repackaged goods to it.

The CJEU has ruled that these standards regarding the repackaging of medicinal products generally also apply to parallel trade in other products. The BGH applies these principles not only with respect to a parallel trade of medicinal products but also regarding other products (*cf.* BGH GRUR 2010, 756—One Touch Ultra).²³⁸

However, not all the five conditions developed by the CJEU regarding the parallel importation of medicinal products have to be satisfied in every case. These principles, rather, only apply in modified form to other kinds of product.

Which of the five conditions, specifically, are to apply in any given case depends on the trademark owner's legitimate interests on the facts of the particular case, having regard to the particular characteristics of the product.

In the case at issue, the question (not yet decided by the CJEU) therefore arises of whether the principles developed for the parallel import of medicinal products must also be applied fully to the parallel importation of medical devices.

237. Boehringer Ingelheim KG and Others v. Swingward Ltd and Dowelhurst Ltd, Case C-348/04 ¶ 16, 17, 19, [2007] ECR I-03391 (CJEU, Apr. 26, 2007) (EU:C:2007:249).

238. Case No. I ZR 185/07 (German Federal Court, May 12, 2005) (ONE TOUCH ULTRA).

In its own ruling, the Court of Appeal had assumed that the exhaustion principles of the EU trademark law applicable to the parallel importation of medicinal products would apply in the same way to medical devices. It held that medical consumables, such as dressings, have the same particular characteristics that medicinal products have, and which justify the full application of five conditions.

The German Federal Supreme Court, too, considers this assessment to be convincing. It considered it right to take into account that medical devices, just like medicinal products (but unlike foodstuffs, for example), are goods which are directly related to health. Since, according to consumers' life experience, consumers pay particular attention to their own health, no fault could be found with the Court of Appeal's finding that medical devices, just like medicinal products, are a product category of particular sensitivity regarding the guarantee of origin of the trademark indicated on the product, due to the great responsibility borne by the manufacturer. The conformity assessment procedure which is required by law for medical devices is also, the Supreme Court considered, an indication of their particular sensitivity.

Believing, therefore, that medical consumables ought to be treated in the same way as medicinal products for these purposes, the German Federal Supreme Court has nevertheless requested a confirmatory ruling of the CJEU on the question of whether Article 13(2) of the EUTMR does indeed require the same interpretation for medical products as for medicinal products.

4. Denmark—Danish Supreme Court—Can a designer make lawful use of his or her own name on fashion labels despite having transferred the corresponding trademark rights to a third party?

In December 2016, the Danish Supreme Court ruled in *Benedikte Utzon v. Topbrands*,²³⁹ a case relating to a designer label trademark corresponding to the name of the designer. The case concerned two main issues. The first was, whether the rights to the trademark BENEDIKTE UTZON had been validly assigned from the Danish fashion company Benedikte Utzon A/S (in bankruptcy) to the Danish clothing company Topbrands. The second was, whether the designer's own continued use of her own name, Benedikte Utzon, when marketing and selling clothes constituted an infringement of the trademark rights assigned to Topbrands.

Danish fashion designer Benedikte Utzon has marketed and sold fashionable clothing under the trademark "Benedikte Utzon" since 1995, doing business initially as a sole trader. In 2009

239. *Benedikte Utzon v. Topbrands v. Lasse Skaarup Jensen*, Case No. 262/2015 (Danish Supreme Court, Dec. 20, 2016).

Benedikte Utzon's business was transferred to a limited liability company under the name "Benedikte Utzon A/S." The company held the assets of the business, including the unregistered trademark BENEDIKTE UTZON. The company was declared bankrupt in April 2012. Benedikte Utzon was offered the opportunity to purchase the trademark rights for DKK 25,000–50,000 (approximately EUR 3,350–6,700). This offer was not accepted by Benedikte Utzon as, although she proposed to use her name in a fashion business, "she did not see any point in buying the rights to her own name."

Topbrands subsequently purchased the unregistered trademark rights, and registered a number of corresponding Danish trademarks and EUTMs for BENEDIKTE UTZON word and device marks in in Classes 14, 18, and 25.

Following the assignment of rights to Topbrands, however, Benedikte Utzon continued to use the name BENEDIKTE UTZON for the marketing and sale of clothes, in forms such as "EST. 1995 BENEDIKTE UTZON WARDROBE" (below) and "by BENEDIKTE UTZON." She also used the mark "MY LITTLE CURVY LOVE" in close connection with "Benedikte Utzon."



Against this background, Topbrands brought infringement proceedings against Benedikte Utzon in the Danish Maritime and Commercial Court (High Court level) claiming infringement of its trademark rights. Benedikte Utzon maintained that, regardless of Topbrands' trademark rights, she had a right to her own name and signature, claiming the "own name" defense under (what is now) Article 12(1)(a) of the EUTMR and the Danish Trademark Act, Section 5(1) (Article 6(1)(a) of the TM Directive).

The Maritime and Commercial Court found that the trademark rights had been validly assigned to Topbrands, and that Benedikte Utzon's continued use of her name for marketing and sale of clothes infringed Topbrands' trademark rights. This was confirmed by the Danish Supreme Court in its 2016 ruling.

The Supreme Court noted that Topbrands could not use its trademark rights to prevent Benedikte Utzon from making use of her own name, if such use were in accordance with *good marketing practices*, this being the requirement under Danish law for successful reliance on the "own name" defense. However, the Supreme Court found that Benedikte Utzon's use of her name in the forms "EST. 1995 BENEDIKTE UTZON WARDROBE" and "by Benedikte Utzon," and "Designed By: Benedikte Utzon," etc. gave rise to a likelihood of confusion with Topbrands' trademarks. Further, the use went beyond what was permitted by the "own name" defense, constituting an infringement of Topbrands' trademarks because the use was disloyal and was harmful to the Topbrands trademarks in view of the risk of confusion.

The "disloyalty" element arose because of the relationship between Benedikte Utzon A/S, the company, and Benedikte Utzon. Utzon had previously been an owner of the company, and had, in this connection, clearly assigned the trademark rights when forming the company.

Interestingly, the case is very similar to the Italian decision in *Fiorucci v. Edwin* of the Court of Appeal of Milan (Case No. 3208/2015) reported last year in [Annual Review of EU Trademark Law: 2015 in Review](#), yet opposite in its result.

5. Spain—Does a failure to act, despite knowledge, for eight years necessarily amount to acquiescence?

In its Judgment No. 346/2016 of December 16, 2016, in Appeal No. 456/2016, the Appeal Court of Alicante²⁴⁰ (an EU trademark court in Spain) rejected a claim of acquiescence by the defendants although the plaintiff had not taken action to invalidate a trademark registered in 2003 despite having been aware of its existence as from 2007.

In 2015 Ferrari S.p.A, maker of FERRARI motor cars, filed a combined invalidity and infringement action against Spanish company Cosmo Import S.L. following a Customs seizure of several thousand watches like the ones depicted below:

240. Ferrari S.p.A v. Cosmo Import S.L, Judgment No. 346/2016, Appeal No. 456/2016 (Appeal Court of Alicante, Dec. 16, 2016).



The defendant, the importer, was the owner of the following Spanish trademarks, which were registered in Spain in relation to watches, and which the defendants used on the imported watches:



M-2558487
 Filed: 22/09/2003
 Registered: 02/03/2004



M-2935817
 Filed: 18/06/2010
 Registered: 21/10/2010

Ferrari argued that the use of the above trademarks infringed certain EUTMs that it held for its famous “cavallino rampante” (prancing horse) trademarks, shown here, and that the defendants’ registrations were invalid for the same reason:



One of the main defense arguments by Cosmo Import was acquiescence. Article 9 of the TM Directive provides for acquiescence. According to Article 9(1), the proprietor of an earlier EUTM loses the entitlement (a) to obtain a declaration of invalidity and (b) to oppose the use of a later conflicting trademark registered in an EU Member State if it has, “acquiesced, for a period of five successive years, in the use of the [later conflicting mark] while being aware of such use.” Article 9(1) also provides, however, that this does not apply if the later conflicting mark was filed in bad faith.

The importer argued that Ferrari had acquiesced in the use of the contested marks while being aware not only of such use but also of the registration of the marks. In order to prove that Ferrari was aware of the existence of these marks, the defendants noted that in 2007 Ferrari had filed a criminal complaint against one of the licensees of the defendants, and the existence of the registration of the oldest black and white mark had been disclosed in the criminal proceedings. Not having attacked the registration of the mark or opposed any importation or sale of the goods during the subsequent eight years should be interpreted, the defendants argued, as acquiescence. (In addition, they argued unsuccessfully that there was no likelihood of confusion due to what they claimed was the different overall impression of the marks which depicting different animals, theirs being a lion.)

Ferrari argued that there was no acquiescence because, even though no invalidity action had been brought against the registered trademarks, on the only (two) occasions on which they had become aware of this use they had immediately reacted against it: in 2007 a criminal complaint had been filed and in March 2015 a civil complaint—the current proceedings—was filed. Additionally, Ferrari had also successfully opposed a new application by the same applicant for clothing in 2011. Ferrari argued that, in any event, the trademarks had been filed in bad faith, the defendants' sole intention having been to obtain a "cover" mark to imitate the famous Ferrari badge. As noted above, the acquiescence principle does not apply if the later mark was applied for in bad faith.

The Appeal Court of Alicante confirmed the first instance decision, which had upheld Ferrari's arguments. According to the Appeal Court, the filing of the 2007 criminal complaint, the 2011 opposition, and the present civil complaint in 2015 showed that there had been no acquiescence. The fact that Ferrari had not challenged the older 2003 registration, despite having become aware of it, could not be interpreted as acquiescence as it was quite obvious from Ferrari's conduct that it did not wish to tolerate the infringing use. In conclusion, Ferrari could not be accused of remaining inactive because, when it had become aware of the existence of infringing acts committed by the defendants, it had brought corresponding legal actions.

The Appeal Court of Alicante also concluded that the trademarks had been filed in bad faith with the sole intention of having a "cover" mark to serve as protection against an infringement action. The Appeal Court reached this conclusion in part because the oldest mark had been registered in black and white but had always been used with a yellow background to imitate the FERRARI brand. The Appeal Court upheld the infringement action on the grounds of both likelihood of confusion and the taking of unfair advantage of the reputation of the famous Ferrari prancing

horse marks. The whole impression of the mark had been designed to imitate the Ferrari badge.

6. Spain—Spanish Supreme Court—Can a trademark owner be prevented from bringing a legal claim against an allegedly infringing act under one of its registered trademarks, having lost its infringement case against the same allegedly infringing act using a different trademark?

In its Judgment No. 34/2016 of February 4, 2016, in Cassation Appeal No. 2495/2013,²⁴¹ the Spanish Supreme Court (First Chamber) rejected a *res judicata* claim raised by the defendants after the plaintiff had refreshed a long-standing and unsuccessful infringement claim that it had been pursuing against them by means of a new infringement claim using a different trademark.

Cointreau & Cie S.A, owner of the eponymous French liqueur brand, is holder of the two trademark registrations shown below, with protection in Spain, each covering goods in Class 33. The COINTREAU product is an orange liqueur.



IR-293243



IR-553499

IR-293243 was granted protection in Spain in 1986. As may be seen, the bottle design as registered bears the COINTREAU name. Registration IR-553499, on the right, is for the “nude” bottle, without verbal content. Protection for this mark was granted in Spain in 1993.

In 1995, Cointreau filed an infringement claim against several Spanish companies, contesting their manufacture and

²⁴¹ Judgment No. 34/2016, Cassation Appeal No. 2495/2013 (Spanish Supreme Court (Civil), Feb. 4, 2016).

commercialization of orange liqueur with a bottle shape that COINTREAU considered to be an infringement.



In this case, Cointreau had invoked IR-293243 but not IR-553499. This claim was upheld at first instance,²⁴² but was later rejected on appeal.²⁴³ The Spanish Supreme Court went on, in a further appeal by the plaintiff in that case, to confirm the reasoning of the Appeal Court, which had essentially held that because the trademarks invoked by the plaintiff included the word “COINTREAU,” they did not give a sufficient protection to the shape of the bottle itself to support the infringement allegation. There was no trademark infringement as the defendants used a different brand name (ORANGE SEC). The judgment of the Spanish Supreme Court in that case was issued on May 21, 2008.²⁴⁴

However, in January 2008 (i.e., four months before the Spanish Supreme Court confirmed its decision to reject the first complaint), COINTREAU had filed a new Spanish infringement claim against the same companies in respect of the same acts. The new claim was exclusively based on IR-553499 for the shape of the “nude” bottle, which had not been invoked in the first action.

On December 19, 2008, the Commercial Court of Barcelona ordered the dismissal of these new proceedings, without deciding on the merits, on the grounds of *res judicata*. The Commercial Court considered that, even if the trademarks invoked were different, the essential object of protection in both proceedings was the same. Therefore, it concluded that it was not acceptable to initiate further proceedings with a related object, especially considering that Article 400 of the Spanish Civil Procedural Law provides that “when the claims of the plaintiff can be based on different facts or titles in law,

242. Judgment of the First Instance Court of Barcelona of November 3, 1997 (Case 6/95).

243. Judgment of the Appeal Court of Barcelona (Section 15) of December 28, 2000 (Appeal No. 190/98).

244. Judgment 384/2008, Cassation Appeal No. 1838/2001 (Spanish Supreme Court (Civil), May 21, 2008).

these must be invoked in the complaint, and the plaintiff may not reserve them for a later trial.”

However, according to the Court of Appeal of Barcelona, and as now confirmed by the Supreme Court of Spain in its Judgment of February 4, 2016, Article 400 of the Spanish Civil Procedural Law merely obliges the plaintiff to allege all the facts and legal grounds to support the *petitum* (petition for relief) of a legal claim. It does not prevent the new claim brought here by Cointreau, as the *petitum* of the second complaint was different, and the *res judicata* exception does not apply. In other words, the *res judicata* exception was rejected because both cases had a different object, the infringement of a different mark. The Supreme Court also pointed out that Article 400 came into force only in 2001, and thus had not existed when the initial complaint had been filed.

Following a substantive ruling on the second infringement claim, the result was that, more than twenty years after filing the initial complaint, the defendant was ordered to cease in the use of the bottle with a shape similar to the COINTREAU bottle.

It is notable that the second action had been started about four months *before* the Supreme Court ruling in the first case. When the defendant replied to the second complaint, it invoked the exception of *lis pendens*, as there was no final judgment in the first case yet. However, this procedural exception was transformed into an exception of *res judicata* once the Supreme Court issued its decision. In its 2016 decision, the Supreme Court specifically refers to this as *res judicata* (*cosa juzgada* in Spanish).

X. JURISDICTION, REMEDIES, AND ENFORCEMENT

A. Introductory Comments

The cases in this Part of the Review include some of the most interesting of the year. The subject-matter is varied. The first two cases are CJEU rulings on references from, respectively, the German and Estonian courts—one on the territorial scope of injunctions; the other on compensation for unauthorized use of an EUTM prior to its registration. There then follow, in sequence, two cases from national EU courts on jurisdiction, and three cases on the calculation of financial remedies (offering an interesting comparison of the approaches adopted by the English, French, and Spanish courts). The cases reported as Nos. 8 and 9 both deal with the subject of injunctive orders against intermediaries—one being a ruling of the CJEU on a reference from the Czech Republic, the other being a ruling of the English Court of Appeal relating to ISPs. The last case is on criminal liability for dealing in “gray market” goods in the United Kingdom.

Because of the wide variety of subject-matter and the large amount of additional legislation being considered in these cases, the

relevant legal texts are either quoted or described in the individual case notes, rather than being set out here in this introductory section.

B. Cases

1. EU—CJEU—What should be the territorial scope of an injunction prohibiting use of a mark that, for linguistic reasons, would conflict with an EUTM except in English-speaking parts of the EU?

Where there is a likelihood of confusion with a EUTM, but only in respect of part of the European Union, must the Court issue an injunction against use of the infringing mark which covers the whole EU? This question came before the CJEU on a reference from the Higher Regional Court of Düsseldorf, Germany, in Case C-223/15, *Combit Software GmbH v. Commit Business Solutions Ltd.*²⁴⁵ The CJEU ruled on September 22, 2016.

The case in the German courts concerned an allegation of infringement of the EUTM COMBIT, registered for computer goods and services. The defendant's mark, COMMIT, was used in relation to software. The defendant is an Israeli company. According to Article 97(2) of the EUTM Regulation, the plaintiff, a German company, was entitled to bring the proceedings in Germany, the country of its own domicile, on the basis that the defendant had no domicile or establishment of its own anywhere in the EU.

Since jurisdiction was founded on Art 97(2), the German court had jurisdiction in respect of acts of infringement committed anywhere in the EU.

According to Article 102(1) of the EUTM Regulation, where an EU trademark court finds that the defendant has infringed or threatened to infringe an EUTM, it shall, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts which infringed or would infringe the EUTM. It shall also take such measures in accordance with its national law as are aimed at ensuring that this prohibition is complied with.

In the case in hand, the German courts felt that there was a likelihood of confusion between the two marks among German consumers by virtue of the visual and aural similarity between COMBIT and COMMIT. This would satisfy the infringement test under Article 9(1) of the EUTM Regulation. On the other hand, the Court felt that English-speaking consumers would pick up on the conceptual differences between the words “commit” and “combit” (“com” for computer and “bit” for binary digit) and that this

²⁴⁵ *Combit Software GmbH v. Commit Business Solutions Ltd.*, Case C-223/15, [2016] ECR I-___ (CJEU, Sept. 22, 2016) (EU:C:2016:719).

conceptual difference would, for them, outweigh the other similarities. This pointed to a conclusion in which a finding of infringement should be made and an injunction issued in respect of some, but not all, parts of the EU—not the English-speaking parts.

However, an EUTM is said to have a “unitary character.” Recital 3 of the EUTM Regulation describes arrangements for trademarks whereby undertakings can, by means of one procedural system obtain EU trademarks to which uniform protection is given, and which produce their effects throughout the entire area of the European Union.

The German court therefore asked the CJEU for a ruling on questions including, “If there is a likelihood of confusion only in some Member States, has the EUTM been infringed across the European Union, or must the Member States be differentiated individually?” This is the question on which the CJEU focused in its ruling.

The CJEU was clear, first of all, that there must be a remedy under the EUTM in cases of this kind, where a likelihood of confusion is established, even though it only exists in relation to part of the EU. The CJEU referred to its own case law relating to the comparable situation in respect of trademark oppositions. Oppositions involving one EUTM pitched against another EUTM must be upheld where it is established that there is a likelihood of confusion in part of the EU. The cited cases were the judgment of September 18, 2008, *Armacell v. OHIM* (C-514/06 P),²⁴⁶ and the order of September 16, 2010, *Dominio de la Vega v. OHIM* (C-459/09 P).²⁴⁷

The CJEU held that a similar approach was necessary in infringement cases. The EUTM owner is entitled to prohibit use of a similar mark which adversely affects the registered mark’s function of indicating origin, even if this effect applies only in part of the EU. The fact that in other parts of the EU the junior mark does not have this effect (i.e. is not likely to cause confusion) does not constitute a “special reason” within the meaning of Article 102(1) not to issue an injunction.

As to the territorial scope of that injunction, the prohibition should as a rule extend to the whole of the EU, per the judgment of April 12, 2011, *DHL Express France* (C-235/09).²⁴⁸ However, it followed also from the decision in *DHL Express France*²⁴⁹ that “in a situation in which—as in the case in the main proceedings—an EU

246. *Armacell v. OHIM*, Case C-514/06 P ¶ 56, 57 [2008] ECR- I-00128 (CJEU, Sept. 18, 2008) (EU:C:2008:511).

247. *Dominio de la Vega v. OHIM*, Case C-459/09 P ¶ 30, 31, ECR I___ (CJEU, Sept. 16, 2010) (DOMINO DE LA VEGA) (EU:C:2010:533).

248. *DHL Express France v. Chronopost SA*, Case C-235/09 ¶ 39-44, [2011] ECR I-02801 (Apr. 12, 2011) (EU:C:2011:238).

249. *Id.* ¶ 48.

trademark court finds that the use of the similar sign in question for goods that are identical to those for which the EUTM at issue is registered does not, in a given part of the European Union, create any likelihood of confusion, in particular for linguistic reasons, and therefore cannot, in that part of the Union, adversely affect the trademark's function of indicating origin, that court must limit the territorial scope of the aforementioned prohibition."²⁵⁰ To go further, and extend the prohibition to parts of the EU in which there is no likelihood of confusion, would go beyond the exclusive rights conferred by the EUTM.

This approach was not inconsistent with the “unitary character” of the EU trademark “since the right of the proprietor of the trademark to prohibit all use which adversely affects the functions inherent in that mark is preserved.”²⁵¹

The CJEU observed that an EU trademark court that issues an injunction of a limited territorial scope must identify with precision the part of the EU to which the prohibition does not extend. Rather than referring, for example (and in the case in hand) to the “English-speaking” public, it must state comprehensively which areas it intends this to cover.

2. EU—CJEU—How should a court address the “reasonable compensation” to be paid for the defendant’s unauthorized use of a plaintiff’s EUTM in the period before it is registered?

Article 9(3) of the EUTM Regulation in its old form (and now Article 9(b) in the restated version) provides for the possibility of compensation being paid to an EU trademark owner for the unauthorized use of its mark in the period prior to registration. In a June 2016 decision in a case referred to it by the Harju District Court in Estonia, the CJEU ruled on the parameters affecting the quantum of such compensation. The case is C-280/15, *Irina Nikolajeva v Multi Protect Oü*.²⁵²

Article 9(3) of the EUTM Regulation provides (as Article 9(b) of the restated text continues to provide using similar language):

The rights conferred by [an EUTM] shall prevail against third parties from the date of publication of registration of the trademark. Reasonable compensation may, however, be claimed in respect of acts occurring after the date of publication of an EUTM application, which acts would, after publication of the registration of the trademark, be prohibited by virtue of that

²⁵⁰. *Combit Software GmbH v. Commit Business Solutions Ltd.*, Case C-223/15 ¶ 31, [2016] ECR I-___ (CJEU, Sept. 22, 2016) (EU:C:2016:719).

²⁵¹. *Combit Software GmbH v. Commit Business Solutions Ltd.*, Case C-223/15 ¶ 35.

²⁵². *Irina Nikolajeva v. Multi Protect Oü*, Case C-280/15, [2016] ECR I-___ (CJEU, June 22, 2016) (ECLI:EU:C:2016:467).

publication. The court seized of the case may not decide upon the merits of the case until the registration has been published.

In the case before the Estonian court, the plaintiff had complained of unauthorized use of a sign identical to her EUTM HOLZProf. The use in question commenced before and continued after the date of the mark's registration. She claimed compensation in respect of both periods. Her claims included a figure based on the monthly license fee that she had been charging to a licensed user of her mark since the date on which she had applied for it, and compensation for non-material harm—mental suffering caused by the infringement.

The Estonian court raised a series of questions with the CJEU, including, in essence, the following questions concerning the compensation to be paid for the period prior to the registration date:

- Could compensation be awarded in respect of the period before publication of the application, or only for acts done between publication of the application and the publication of registration?
- Does the concept of “reasonable compensation” in (for acts post-publication but pre-registration) mean damages intended to compensate for all the harm suffered in respect of the relevant period by the proprietor, including recovery of the value derived by the defendant from its use of the mark, and should it include compensation for non-material harm?

On the first of these questions the CJEU was quite clear that the claim to reasonable compensation could cover only the period between publication of the EUTM application (i.e., official publication for opposition purposes) and the date on which the resulting registration was published. According to the CJEU:

... it must be held that, since the second sentence of Article 9(3) of Regulation No 207/2009 contains a strictly circumscribed exception to the rule that an EU trademark does not prevail before publication of its registration, no compensation can be claimed under that provision in respect of acts which occurred before publication of the application for registration of such a mark.²⁵³

Turning to the question of what “reasonable compensation” means in this context, the CJEU held that the team required an autonomous and uniform interpretation--one that should be applied by the relevant courts of all EU Member States when assessing Article 9(3) (now Article 9b(2)) compensation claims.

The CJEU noted that the EUTM Regulation dealt separately with infringement claims, on the one hand, and claims for

253. *Id.* ¶ 44.

reasonable compensation for these purpose. It considered that the protection available for unauthorized use pre-registration should, by its nature, be more limited than that available in respect of any infringement claim.

The EUTM Regulation does not itself provide rules relating to the damages that may be claimed for infringement of an EUTM. However, the Enforcement Directive (Directive 2004/48) lays down rules relating to damages, to which all Member States are subject. These rules distinguish between situations in which the infringer has acted knowingly, and situations in which the infringer has not.

As the CJEU noted, “. . . Article 13(1) of Directive 2004/48 prescribes compensation which is, in principle, full compensation for the harm actually suffered, which may include ‘moral prejudice’, in the event of acts of infringement committed knowingly, whereas Article 13(2) permits only the recovery of profits of the payment of damages, which may be pre-established, where the acts of infringement have not been committed knowingly.”²⁵⁴

The CJEU, following the opinion of its Advocate General, concluded that the sum payable by way of reasonable compensation in respect of acts done pre-registration (when the trademark protection ultimately to be enjoyed under the EUTM remains conditional on there being no successful opposition to the application) should not exceed the “reduced compensation” provided for in Article 13(2) of the Enforcement Directive.

The focus of the “reasonable compensation” assessment is to be one depriving unauthorized users from improperly benefitting from their use. It allows for actual recovery of profits made, but not for compensation from “wider harm” caused to the then-applicable for registration of the EUTM. This excludes (inter alia) claims to compensation for moral prejudice.

3. Austria—Austrian Supreme Court—On what basis can jurisdiction be established in Austria against a cyber-squatter residing in Germany who has registered Austrian and Swiss domain names?

In Case Number OGH 20.12.2016, 4 Ob 45/16w,²⁵⁵ the Austrian Supreme Court reached different conclusions regarding jurisdiction under the EUTM Regulation, on the one hand, and Austria’s national law on unfair competition, on the other. The jurisdiction issues arose in the course of a trademark infringement and unfair competition case proceeding in the Austrian courts. The claimant, owner of the trademark STUBHUB that is protected by (among other things) through several EUTMs, is a company headquartered

254. *Id.* ¶ 54.

255. Case No. 4 Ob 45/16w (Austrian Supreme Court, December 20, 2016).

in California. The defendant is an individual residing in Germany, who had registered two domain names—*stubhub.ch* (which uses the Swiss country code) and *stubhub.at* (which uses the Austrian country code).

The plaintiff argued before the Austrian courts that the defendant's registration of the domain names was an infringement of its trademarks rights, since the defendant had done so for the sole purpose of selling them to the plaintiff at an excessive price, and the defendant had never used and never intended to use the domain names in a commercial manner. The plaintiff argued that the case fell within the jurisdiction of the Austrian courts, as the domain names had been created for intended use in Austria. The plaintiff extended its argument to the Swiss domain name by pointing out that Switzerland has a border with Austria and that events in Switzerland have a special impact on those in Austria living near the border. The plaintiff argued, by reference to Article 5(3) of the applicable EU Regulation on jurisdiction and judgments (the so-called Brussels or "Brussels I" Regulation, which, for the purposes of this case was Council Regulation No. 44/2001 of December 22, 2000, although this has been largely superseded by Regulation (EU) No. 1215 for proceedings instituted from January 2015 onward²⁵⁶) and Article 97 of the EUTM Regulation that it could found jurisdiction either in the EU Member State in which the infringing action took place or in the EU Member State in which the damaging result occurred—here, Austria.

The defendant argued, to the contrary, that the Austrian Courts lacked jurisdiction altogether. It argued that Article 5(3) of the Brussels Regulation (old version) was not applicable, as, according to the defendant, any damage would occur at the plaintiff's headquarters in California. The Austrian Supreme Court had to decide whether the international jurisdiction of Austria would be applicable in cases of cybersquatting, if the domain name were not registered in Austria or in any other EU Member State, but has an effect extending to Austria.

The Austrian Supreme Court held that the EUTM Regulation uses a different system of identifying the location of damage from that of the Brussels Regulation, and referred to the decision of the

256. The 2001 Brussels Regulation, Council Regulation No. 44/2001, on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters came into force on March 1, 2002. It sets out a system for the allocation of jurisdiction and the reciprocal enforcement of judgments between EU Member States and Denmark. It has now been largely superseded by the Recast Brussels Regulation, Regulation (EU) 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast). The Recast Brussels Regulation applies to legal proceedings instituted on or after January 10, 2015, and judgments given in proceedings instituted on or after January 10, 2015.

CJEU in *Coty Germany GmbH v. First Note Perfumes NV*.²⁵⁷ The location of the damage, according to the provisions of the EUTM Regulation, is the EU Member State in which the infringement took place, and not the location of the plaintiff's establishment. In line with the *Coty* decision, and also the CJEU's decision in *Hejduk*,²⁵⁸ the Austrian Supreme Court held that the infringement claim was not within the jurisdiction of the Austrian courts as the infringing action all took place in Germany. According to the Austrian Supreme Court, even the *stubhub.at* domain name did not have a sufficient connection to found an Austrian jurisdiction, since the action of registering the domain name had been initiated in Germany.

However, the Austrian Supreme Court held that the position was quite different with regard to the claims based on Austria's domestic laws on unfair competition practices. For *these* purposes, the Brussels Regulation would be relevant. The relevant question here, regarding jurisdiction, was therefore simply whether or not such practices have an influence on the Austrian markets. The Austrian Supreme Court held that the consequences of the registration in both domain names in question on the Austrian market were quite clear. As a consequence, the Austrian Courts were competent to rule on this issue.

4. United Kingdom—IPEC—Can situations arise in which an EU trademark court has jurisdiction to hear a claim based on a national registered trademark, but not a corresponding EUTM, in respect of the same allegedly infringing actions?

AMS Neve Ltd & Ors v. Heritage Audio S.L. & Anor, [2016] EWHC 2563 (IPEC),²⁵⁹ distinguishes the jurisdiction of a Member State's court in an EU trademark infringement claim from that based on a national trademark.

The case involved an interim application by the defendants for a declaration that the English courts had no jurisdiction to hear a trademark infringement and passing-off claim. The plaintiff relied on both UK national trademarks and EU trademarks. The defendant was incorporated and based in Spain. It used certain marks allegedly similar to those covered by the claimants' registrations—"1073" and a sine wave logo—in relation to audio

257. *Coty Germany GmbH v. First Note Perfumes NV*, Case C-360/12 [2014] ECR I-___ (CJEU, June 5, 2014) (EU:C:2014:1318).

258. *Pez Hejduk v. EnergieAgentur.NRW GmbH*, Case C-441/13 [2015] ECR I-___ (CJEU, Jan. 22, 2015) (EU:C:2015:28).

259. *AMS Neve Ltd & Ors v. Heritage Audio S.L. & Anor*, [2016] EWHC 2563 (IPEC, Oct. 18, 2016).

equipment. The marks were used on a website, called Heritage Auto, which the defendant ran in Spain.

There was a question of whether the marks, used on the website, could be considered to be used in the United Kingdom in a way that would satisfy the substantive requirements of the UK infringement claim. The English court concluded that the use was sufficient—that there was at least a good arguable case, on present evidence, that the defendant had advertised and offered the goods in question for sale in the United Kingdom under the contested trademarks.

The question of the Court's jurisdiction was a separate consideration. Jurisdiction in respect of the UK national trademarks (and the passing-off claim) was to be determined by reference to Regulation (EU) No. 1215/2012 of December 12, 2012—i.e., the so-called “Brussels I” Regulation, as referred to in the preceding case note. Jurisdiction in respect of the EU trademark claim was to be determined by reference to Article 97 of the EUTM Regulation.

Regarding the Brussels I Regulation, jurisdiction in trademark infringement claims (as with other torts) is allocated to “the courts [for] the place where the harmful event occurred or may occur.”²⁶⁰

CJEU case law has established that “the place where the harmful event occurs” can be both the place where the damage occurred and the place of the event giving rise to the damage. The plaintiff has the option of proceeding in the courts of either place. The English court cited (inter alia) the CJEU ruling in *Coty Germany GmbH v. First Note Perfumes NV* (Case C-360/12).²⁶¹ The English court was satisfied in the present case that, so far as the claim based on UK national marks (and passing-off) was concerned, jurisdiction could be founded on the basis that the damage took place in the United Kingdom.

Regarding jurisdiction in respect of the EU trademark under the EUTM Regulation, the English court had to turn away altogether from the rules under Brussels I, and look instead at the self-standing code under Article 97. Article 97(1) provides that the courts of the defendant's domicile or establishment—in the present case, Spain, should have jurisdiction. However, Article 97(5) provides that an infringement action may also be brought “in the courts of the Member State in which the act of infringement has been committed or threatened.” The plaintiff was relying on Article 97(5).

260. Article 7(2) of the Brussels Regulation (Regulation (EU) No. 1215/2012 of December 12, 2012). Ex. Article 5(3) of the older Brussels Regulation (Regulation (EC) No. 44/2001).

261. *Coty Germany GmbH v. First Note Perfumes NV*, Case C-360/12 [2014] ECR I-____ (CJEU, June 5, 2014) (ECLI:EU:C:2014:1318). See also Guy Heath, *Annual Review of EU Trademark Law: 2014 in Review*, 105 TMR 696-98 (2015).

In deciding whether the Article 97(5) route to jurisdiction could apply, the English Court determined that what was important was where the defendant's active conducts took place. The English Court cited the opinion of the Advocate General of the CJEU in *Coty*²⁶² as follows:

The Advocate General made more general observations about the identity of the place where the act of infringement has been committed:

[31] Thus the place where the act of infringement was committed is a narrower concept than the place where the harmful event occurred. Moreover, the vocabulary used in [Article 97(5)] seems to point to active conduct, which would be more meaningful if applied to the place of the event giving rise to the damage rather than to the place where the damage occurred, whereas the broad interpretation of the art. 5(3) of the Brussels I Regulation appears to have been facilitated by the more neutral terminology used there.²⁶³

. . . This suggests that jurisdiction conferred under article 97(5) (ex-93(5)) will not be the place where the trademark is registered, but the place of the defendant's active conduct—which may or may not be the same thing as the place of the event giving rise to the damage within the meaning of Article 7(2) of Brussels I.²⁶⁴

The English court went on to note that the CJEU in *Coty* had agreed with the Advocate General's opinion, and concluded that "the linking factor provided for by [Article 97(5)] refers to the Member State where the act giving rise to the alleged infringement occurred or may occur, not the Member State where that infringement produces its effect."²⁶⁵

The English court therefore concluded that, on the facts of the present case, since the uses complained of were on the Heritage Auto website run by the defendant in Spain, it had no jurisdiction to hear the infringement claim based on the EUTM.

The English court considered that in *Coty* the CJEU "drew a conscious distinction between, on the one hand, the event of taking steps to put a sign on a website or alternatively the event of taking a decision to that effect and, on the other hand, the event of the display of the sign on the website. Only the courts of the place where the former event(s) take place have jurisdiction, in particular where locating the action in that place is most likely to facilitate the taking

262. Opinion of Advocate General Jääskinen, *Coty Germany GmbH v. First Note Perfumes NV*, Case C-360/12 ¶ 31 [2014] ECR I-___ (CJEU, June 5, 2014) (ECLI:EU:C:2014:764).

263. *Coty Germany GmbH v. First Note Perfumes NV*, Case C-360/12 ¶ 36, 37.

264. *AMS Neve Ltd & Ors v. Heritage Audio S.L. & Anor*, [2016] EWHC 2563 ¶ 36, 37.

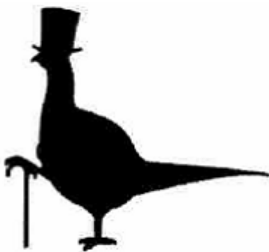
265. *Coty Germany GmbH v. First Note Perfumes NV*, Case C-360/12 ¶ 34. *Cited in* *AMS Neve Ltd & Ors v. Heritage Audio S.L. & Anor*, [2016] EWHC 2563 ¶ 39.

of evidence and the conduct of the proceedings for infringement of the EUTM.”²⁶⁶

5. United Kingdom—English High Court—Can general overheads be deducted from overall profits when determining the apportionment of those profits in an account of profits case?

In March 2016, the High Court of England and Wales ruled on a rare “account of profits” case. In the English system, the plaintiff in an infringement claim may, if its claim is successful, elect for either damages or an account of the infringer’s profits. Cases dealing with the calculation of the profits to be awarded to the successful plaintiff are rare, as the cost of further proceedings to determine *quantum* is generally considered too expensive, as opposed to negotiating an agreed amount. However, in *Jack Wills Limited v. House of Fraser (Stores) Limited* ([2016] EWHC 626 (Ch)),²⁶⁷ the plaintiff Jack Wills pursued its claim for an account of profits in the High Court.

The case involved a dispute between Jack Wills, a manufacturer of casual clothes aimed at 16- to 24-year-olds, and House of Fraser, a department store retailer. In *Jack Wills Limited v. House of Fraser (Stores) Limited* ([2014] EWHC 110 (ch)),²⁶⁸ the High Court of England and Wales found that House of Fraser’s use of a pigeon logo (see below, right) on its own brand menswear label LINEA had infringed Jack Wills’ EUTM characterized as “Mr Wills”²⁶⁹: a left-facing cock pheasant wearing a top hat and carrying walking cane (see below, left).



Jack Wills’ trademark
“Mr. Wills”



The infringing
“Pigeon Logo”

266. *AMS Neve Ltd & Ors v. Heritage Audio S.L. & Anor*, [2016] EWHC 2563 ¶ 67.

267. *Jack Wills Limited v. House of Fraser (Stores) Limited*, [2016] EWHC 626 (Ch) (March 23, 2016).

268. *Jack Wills Limited v. House of Fraser (Stores) Limited*, [2014] EWHC 110 (Ch) (Jan. 31, 2016).

269. UK Registered Trademark No. 2449189; EU Trademark No. WE000000971102.

In light of House of Fraser's infringement of Jack Wills' mark, including the unfair advantage that House of Fraser was held to obtain from its unauthorized exploitation of the mark's reputation, Jack Wills argued that it was entitled to all of the profits made from the sale of the infringing goods, and that any doubts about the factors constituting the profits should be resolved in its favor. The two parties agreed that the gross margin that House of Fraser made from the sale of the infringing goods over US \$600,000, and Jack Wills expected the settlement to be a figure in this region.

In the present case, the English High Court first had to decide on the facts as to whether and to what extent House of Fraser's general overhead costs could be deducted from the overall profits made by the sale of the infringing goods. For these purposes, the High Court examined whether or not the same overheads would have been incurred even if the infringement had not occurred, or when "the sale of infringing products would have been replaced by the sale of non-infringing products which would have been sustained by the overheads in fact used to sustain the infringement."²⁷⁰

Both parties accepted that the acts of infringement had had no effect on general overheads, and so the English High Court focused on determining if the sale of infringing products would have been replaced by the sale of non-infringing products, sustained by the same overheads. Specifically, it was necessary to establish whether House of Fraser would have sold non-infringing products, otherwise like-for-like with the infringing products, if it had not been selling infringing products.

The evidence presented to the court demonstrated that the infringing goods had displaced non-infringing goods of the same style and type as the infringing goods. House of Fraser had in fact gone on to sell similar or identical LINEA products without the Pigeon logo, as was clear from House of Fraser's catalogues. Furthermore, House of Fraser's "options," different colors and pattern offers for each style of clothing, for its LINEA range remained broadly the same during before, during, and after the sale of the infringing product. As such the High Court decided that House of Fraser was entitled to deduct a contribution toward its general overheads from the gross margin made from the sale of the Pigeon goods, whether they were sold in its shops or via its website.

The English High Court also held that web sales and store sales should not necessarily be treated separately when determining whether overhead costs could be deducted. It found that the plaintiff's suggestion that they be treated separately was based on a mistaken assumption that operation at full capacity was a threshold condition for a decision allowing the deduction of

270. *Jack Wills Limited v. House of Fraser (Stores) Limited*, [2016] EWHC 626 (Ch) ¶ 22.

overheads. Rather, the two sales platforms should only be treated separately if evidence of displacement—i.e., evidence that House of Fraser would have sold non-infringing products that were otherwise like-for-like if it had not been selling the infringing products—was established for one and not the other, which was not so in this case.

In deciding how to apportion the profits—namely, determining what would be a fair proportion of each overhead to deduct from the net profits—the High Court decided that to be deductible, the expenditure had to be wholly or partly attributable to House of Fraser’s trading activities as a whole, and incurred during the period when the infringing goods were sold. The fair apportionment of these deductible overheads was then decided by two “metrics”: the “Square Footage Basis” and “Sales Revenue Basis.” While considered somewhat “artificial” and “broad-brush” by the High Court, it was thought that applying them discriminately to each head of expense would be a sufficiently nuanced approach. (The alternative of “activity based costing” was felt to be too expensive a process.)

The “Square Footage Basis,” championed by Jack Wills, was equal to the deductible costs divided by the total sales area of House of Fraser’s business, and then multiplied by the area occupied by Pigeon goods. This metric was used to apportion property, depreciation, and establishment costs. The second metric, the “Sales Revenue Basis,” favored by House of Fraser, involved dividing the deductible costs by total sale revenue during the period, before applying the resulting percentage to the infringing sales. After considerable deliberation, this was adopted for the apportionment of employment (primarily as it reflects House of Fraser’s internal accounting policy), distribution, store support, and finance costs.

The English High Court then addressed the issue of whether further apportionment was necessary to reflect the fact that the profits being accounted were those made in respect of the defendant’s acts of trademark infringement and passing off, rather than just from the sale of the goods with the Pigeon Logo on them. Indeed, it was particularly of note that the case concerned a finding of infringement based not only on likelihood of confusion, but on a finding that House of Fraser’s sale of Pigeon goods amounted to “a classic case of a retailer seeking to enhance the attraction of its own brand goods by adopting an aspect of the get up of prestigious branded goods,” and that House of Fraser’s use of the Pigeon Logo would have caused a “subtle and insidious transfer of image” from Jack Wills’ mark to the Pigeon Logo, unjustifiably assisting the defendant to ‘increase the attraction of its goods in circumstances where House of Fraser did not undertake any advertising or promotion on those goods.’ The earlier court had therefore

concluded that House of Fraser had taken unfair advantage of Jack Wills' mark.²⁷¹

The English High Court held that, generally, unless it was the infringement that drove the sale "there must be a further apportionment to take account of the fact that the profits to be disgorged are those properly attributable to infringing use of the mark, not all the profits derived from the sale of the item."²⁷² In this case, the English High Court found that the evidence presented to it indicated that the products in question had their own value distinct from the value of the infringing Pigeon Logo. The infringement did not drive the sale of the infringing product, nor was the infringing Logo the product's central feature. Moreover, the Court was conscious that the use of "account of profits" as a remedy was not intended to punish House of Fraser, but was "a mechanism by which an infringer is required to pay over to the proprietor of the infringed marks the profits properly attributable to the infringement."²⁷³ The Court therefore felt that, even taking into account the fact that House of Fraser had infringed and attempted to pass off Jack Wills' mark, it would be unjust to grant Jack Wills the whole profit made by the sale of the infringing goods, as the goods had their own value and would have sold with or without the inclusion of the Pigeon Logo.

As a means to determine an appropriate percentage of the overall profits to be paid by way of a remedy, the English High Court decided to consider the amounts that House of Fraser was accustomed to paying when entering into "bare" trademark licenses with third-party brands. The Court determined that House of Fraser paid licensees 1.5% of its revenues for the use of its third-party brands and that this would result in an apportionment of 41% of net profits to Jack Wills. The Court therefore held that Jack Wills could recover 41% of the net profits made from the sale of the infringing items. The deduction of the overheads in conjunction with the apportionment of the net profit reduced the value of the claim to around one tenth of the plaintiff's starting figure.

The possibility of claiming "profits" has been an attractive alternative measure for UK trademark owners who would struggle to show damages resulting from infringement, but the Jack Wills case has a chilling effect on this, and suggests that plaintiffs will need to moderate their expectations.

271. *Id.* ¶ 9.

272. *Id.* ¶ 62.

273. *Id.* ¶ 10.

6. France—French Supreme Court (Cour de Cassation)—What infringement remedies can a trademark owner expect in France as a result of the evolving view of the higher French courts?

Three important decisions of the French Supreme Court (Cour de Cassation) during 2016 show an evolution in the French approach to infringement damages. It is convenient to deal with them together.

For many years, the rule, confirmed by a large number of decisions issued by the French courts, and generally considered as a constitutional principle (see Constitutional Council decision of November 9, 1999, No. 99-419), was that the trademark owner should receive compensation for the full damage that it has suffered as a result of the infringement, and nothing else. (See Supreme Court (Cour de Cassation, Commercial Chamber, May 5, 2015, No. 14/11148, *Axa/Transports 3A*.) Thus, unlike the situation in certain other EU Member States, punitive and dissuasive damages have never been applied in France. However, according to the trio of cases reported here things appear to be evolving under the influence of the EU Enforcement Directive (Directive 2004/48 EC of April 29, 2004) on the enforcement of intellectual property rights.

Article L. 716-14 of the Intellectual Property Code (CPI), which implements article 13 of the Directive 2004/48 in the French law, modified by the law of March 11, 2014, provides the following:

To the purpose of fixing damages, the Court shall take into consideration the economic negative consequences, including loss of earnings incurred by the aggrieved party, the profits made by the infringer and the moral damage caused to the IP right holder by reason of the infringement.

However, at the request of the injured party, the Court may, as an alternative, award a lump sum which shall not be less than the amount of the royalties or other fees which would have been due if the infringer had requested for a formal authorization to use the infringed IP right.

Thus, in its judgment of September 20, 2016, in the case of *Dacotex v. adidas*,²⁷⁴ the French Supreme Court approved the application of the new rule issued from the law of March 11, 2014, as stated above, to acts of infringement committed a few years earlier. According to the French Supreme Court, the national law should be interpreted and applied in light of the objectives pursued by the Enforcement Directive 2004/48. As a consequence, the Supreme Court ruled, it did not represent a retroactive application of the law to apply the new rule to earlier acts of infringement.

²⁷⁴ *Dacotex Ltd. (UK) v. adidas France and Others*, Case No. 15-12.989 (French Supreme Court (Commercial), Sept. 20, 2016).

The consequences of this ruling will be that the plaintiff would be able to claim damages accrued on a royalty basis over several years, leading to a level of recovery that would not have been possible under the traditional approach of the French courts.

Even more symptomatic of the wind of change in France is a subsequent judgment, also issued by the Supreme Court, handed down on December 6, 2016 (No. 15/16304, Axelle/Goupy).²⁷⁵ In this case, the company found to be liable for trademark infringement objected to the method used by the Paris Court of appeals to calculate damages, namely the profits made by the defendant company or the royalties it would have had to pay in order to use the trademark at issue. (The plaintiff could elect the most favorable option for him.) The defendant argued that the court should have taken into consideration only the negative economic consequences incurred by the trademark owner, which the defendant considered to be nil taking in consideration the fact that the locations of their catering businesses were in Paris and in the South of France, respectively.

The Supreme Court rejected this argument, holding:

First of all, article L. 716-14 of the CPI must be interpreted in light of Directive 2004/48 which allows the so-called alternative method of evaluation only in appropriate cases; the lump sum amount, which cannot be lower than the royalties or fees which would have been due if the infringer had requested for authorization to use the infringing right, provided for in paragraph 2, is only an adjustment of the damage evaluation criterion; It follows that, in so far as the loss of earnings is cited only as an example of the negative economic consequences taken into consideration for the assessment of the damage suffered by the injured party, within the meaning of paragraph 1, so that no other criterion is formally excluded, the Court of Appeal, which had before it a claim for compensation for the actual damage in support of which Goupy alleged a loss of royalties, was able to rule as it did.

The third of the French cases, also from the French Supreme Court (Cour de Cassation), relates to the possibility of combining a damages award based on a notional royalty with compensation for “non-material loss.”

The issue relates to Article 13(1) of the Enforcement Directive, which provides for a method to compensate the prejudice suffered by IPR owners as a result of an infringement:

1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to

²⁷⁵. Axelle v. Goupy, Case No. 15/16304 (French Supreme Court (Commercial), Dec. 16, 2016).

know, engaged in an infringing activity, to pay the right holder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

- (a) they shall take into account all appropriate aspects, such as the negative economic consequences, including loss of profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the right holder by the infringement; or
- (b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorization to use the intellectual property right in question.

The Cour de Cassation ruled in its judgment of September 6, 2016 (No. 14/29518, *Matifas/Home Medical Service*),²⁷⁶ that the rules noted in paragraphs (a) and (b), which were thought to be in the alternative, are actually capable of combination. Thus, the trademark owner which suffers acts of infringement may claim compensation in accordance with paragraph (b) on the basis of a notional license fee and also claim compensation for non-material damage under paragraph (a), in accordance with the decision of the CJEU in the *Christian Liffers* case of March 17, 2016 (case C-99/15).²⁷⁷

This evolution of French jurisprudence is one of real substance. For a long time the compensation for the prejudice suffered as a consequence of infringement activities was strictly limited to the amount of actual damage that the IP rights owner could demonstrate it has suffered. The trio of 2016 cases show that the French courts are now ready to take a significantly wider view of available financial remedies.

276. *Matifas v. Home Medical Service*, Case No. 14/29518 (French Supreme Court (Commercial), Sept. 6, 2016).

277. *Christian Liffers v. Producciones Mandarina SL and Mediaset España Comunicación SA, anciennement Gestevisión Telecinco SA*, Case C-99/15 ¶ 27, [2016] ECR I-___ (CJEU, Mar. 17, 2016) (EU:C:2016:173)

7. Spain—Appeal Court of Barcelona—What damages are due under Spanish law to a plaintiff that has suffered no loss?

In its judgment of December 14, 2016, in Appeal No. 415/2015 (NUBA), the Appeal Court of Barcelona²⁷⁸ has exposed some interesting issues in the approach to the calculation of damages under Spanish law.

The owner of the Spanish registered trademark LA NUBA, registered for discotheque services filed a combined invalidity and infringement action against the owner of Spanish registered Trademark No. 2934596 NUBAR in respect of restaurant and music bar services. The plaintiff operated a discotheque in the town of Urdax, a very small town in Navarra on the border with France. The defendant operated restaurants and lounge-clubs in Barcelona and Ibiza using this sign:



The Appeal Court of Barcelona reversed the first instance decision of the Commercial Court, and held this to be an infringement. The interesting part of this decision is not whether the trademarks are confusingly similar, but how the damages were calculated.

The Spanish Trademark Act establishes in Article 43.5 an automatic compensation equivalent to 1% of the turnover made by the infringer with the infringing mark. This means that, when there is a finding of trademark infringement, the existence of damages is automatically presumed, without further proof of their existence. (This is called damages *ex re ipsa*).

In this case, 1% of the infringer's turnover would have been around US \$100,000. The question that was raised was whether, in the light of the EU Enforcement Directive, it was right to apply the statutory formula. The Enforcement Directive provides that damages should not be punitive, and must be based on an objective criteria. In the present case, the owner of the earlier trademark LA NUBA had not suffered any real damage. Its discotheque was in a small town in the north of Spain and did not enjoy a reputation elsewhere, while the infringer's activities were carried out in lounge clubs several hundreds of kilometers away.

The Appeal Court of Barcelona confirmed that the statutory rule of a minimum compensation of 1% should apply, based on a

278. Appeal No. 415/2015 (Appeal Court of Barcelona, Dec. 14, 2016) (NUBA).

literal interpretation of Article 45.3 of the Spanish Trademark. However, it moderated the compensation for damages on the basis that only 20% of the activity of the infringer related to music bar services, the rest being restaurant services, whereas the plaintiff's mark covered only discotheque services. The ruling obliged the defendant to pay US \$20,000 (20% of 1% of all its overall turnover).

There was, however, a dissenting vote of one of the three Magistrates of the Appeal Court of Barcelona, who considered that the automatic compensation of 1% of the turnover should be disapplied in appropriate cases, where the defendant proves that no prejudice has been caused to the plaintiff. In the present case, the plaintiff admitted that the infringement had caused him no damages, albeit arguing in support of his claim to an injunction that in the future the defendant might decide to open a lounge club in the area of Navarra.

The case has recently been appealed to the Spanish Supreme Court, which will have to establish a definitive ruling on how the Spanish courts should apply the statutory rule of 1% damages *ex re ipsa*, taking into account that the Enforcement Directive requires EU member states to provide for damages that are not punitive but must be “effective, proportionate and dissuasive.”

8. EU—CJEU—Can injunctions be obtained against lessors of stalls and pitches to market traders, some of which deal in counterfeit goods?

The judgment of the CJEU in Case C-494/15, *Tommy Hilfiger Licensing LLC, Urban Trends Trading BV, Rado Uhren AG, Facion Kft., Lacoste SA, Burberry Ltd v. Delta Center a.s.*,²⁷⁹ was handed down on July 7, 2016. The case was referred to the CJEU by the Supreme Court of the Czech Republic. It concerns the interpretation of Article 11 of Directive 2004/48/EC (the Enforcement Directive).

Article 11 provides as follows:

Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightsholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to

279. *Tommy Hilfiger Licensing LLC and Others v. Delta Center a.s.*, Case C-494/15, [2016], ECR I-___ (CJEU, July 7, 2016) (EU:C:2016:528).

infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.

(Article 8(3) of Directive 2001/29, provides: “Member States shall ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.”)

The case concerned, in particular, the third sentence of Article 11, which requires EU Member States to provide for the possibility of obtaining an injunction against intermediaries whose services are used by others to infringe intellectual property rights.

The case before the Czech courts had been brought by a number of brand owners against *Delta Center a.s.*, which is the tenant of the Prague market halls. *Delta Center* sublet space and stalls in the market to market traders. Some of these sold counterfeit goods. The plaintiff brand owners sought injunctive relief against it by reference to Article 11 of the Enforcement Directive and the corresponding provisions of Czech national law. The injunction sought would impact on the freedom of *Delta Center* to grant or extend contracts to market-traders found to infringe trademark rights, and the terms on which the contracts were provided.

The Czech Supreme Court felt it necessary to seek CJEU guidance on the question of whether an entity in *Delta Center's* position could be regarded as an intermediary of the kind referred to in Article 11 of the Enforcement Directive. The Czech Supreme Court was concerned that the possibility of granting injunctions against intermediaries should not be taken too far—for example, leading to relief being granted against providers of electricity of other utilities to infringers.

The CJEU has already ruled in a comparable case involving an online intermediary—see its judgment of July 12, 2011, in *L'Oréal and Others* (C-324/09, EU:C:2011:474).²⁸⁰ The case concerned eBay, the well-known online marketplace.

In the present case, the CJEU noted that *Delta Center* was engaged in the subletting as an economic activity, and held that this amounted to a provision of services. The CJEU found there to be no relevant differences between this service and the equivalent service conducted online. It therefore held that a subletting activity of the kind carried on by *Delta Center* falls within the concept of “an intermediary” whose services are being used to infringe an intellectual property right for the purposes of Article 11.

The CJEU went on to hold that the conditions for an injunction against the intermediary in this kind of situation are the same as those applicable to an online marketplace, as set out in the *L'Oréal* ruling (see above). The conditions are such that an injunction may

280. *L'Oréal SA and Others v. eBay International AG and Others*, Case C-324/09, [2011] ECR I-06011 (CJEU, July 12, 2011) (EU:C:2011:474).

be granted only if it ensures a fair balance between the protection of intellectual property, on the one hand, and the avoidance of obstacles to legitimate trade, on the other. This should be assessed by the national courts on a case-by-case basis.

**9. United Kingdom—English Court of Appeal—
Remedies—Does the English court have jurisdiction to
issue an injunction against an Internet service
provider whose services are used by trademark
infringers, and, if so, can it order that intermediary to
pay the costs of implementing the injunction?**

On July 6, 2016, the Court of Appeal of England and Wales delivered its judgment in *Cartier International AG and Others v. British Sky Broadcasting and Others*.²⁸¹ The appeal was against a 2014 ruling of the High Court of England and Wales reported in the [Annual Review of EU Trademark Law: 2014 in Review](#). This was a test case on the right of trademark proprietors to be awarded website blocking injunctions against Internet service providers (ISPs) whose services are used by trademark infringers.

The High Court had ordered five English ISPs (Sky, BT, EE, TalkTalk, and Virgin) to take measures to block their customers' access to websites that advertised and sold counterfeit goods that infringed the respondents' UK rights in their trademarks, including CARTIER, MONTBLANC, and IWC.

The ISPs appealed to the English Court of Appeal, contending that the English High Court did not have the jurisdiction to make the order. They also argued that the order was disproportionate, especially in respect of that Court's decision to make the ISPs bear the costs of the implementation of the website blocking order.

On the question of jurisdiction, the English Court of Appeal, while acknowledging that the ISPs were not wrongdoers, rejected the ISPs' interpretation of Section 37(1) of the Senior Courts Act 1981, which provides that "the High Court may by order (whether interlocutory or final) grant an injunction . . . in all cases in which it appears to be just and convenient to do so." The ISPs had argued that neither Section 37(1) nor its predecessors conferred on the courts the power to grant injunctions where none had previously existed. Further, they claimed that a fundamental feature of the English court's practice was that injunctive relief against a party cannot normally be obtained without a substantive course of action against them. The Court of Appeal disagreed, considering such an interpretation to be one that would "impose a straightjacket on the court and its ability to exercise its equitable powers which is not

281. *Cartier International AG and Others v. British Sky Broadcasting and Others*, [2016] EWCA Civ 658 (July 6, 2016).

warranted by principle.” Instead, “the preferable analysis involves a recognition of the great width of those equitable powers, an historical appraisal of those categories of injunctions that that have been established and an acceptance that pursuant to general equitable principles injunctions may issue in new categories when this course appears appropriate.”²⁸²

Turning from matters of general principle to the particular kind of injunction sought in the present case, the English Court of Appeal held that Article 11 of the EU Enforcement Directive provided an appropriate basis for granting this kind of injunction against intermediaries caught up in the trademark infringement by others. As previously noted Article 11 provides that:

... Member States shall also ensure that rights holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right.

The English Court of Appeal drew on the CJEU’s judgment in *L’Oréal SA v. eBay* regarding the interpretation of Article 11,²⁸³ to hold that Article 11 does “provide a principled basis for extending the practice of the court in relation to the grant of injunctions to encompass, where appropriate, the services of an intermediary, such as one of the ISPs, which have been used by a third party to infringe a registered mark”²⁸⁴ and that Section 37(1) of the Senior Courts Act should be interpreted in compliance with Article 11.

The English Court of Appeal therefore held that the English courts do have the jurisdiction to order the kind of injunction at issue in cases of this kind, although, as recognized by the English High court, the courts do not did not have unlimited discretion to grant website blocking orders. They should exercise the power to grant injunctions consistently with the terms of the EU Enforcement Directive and EU E-Commerce Directive.

Considering the position in the present case, the appellant ISPs claimed that the English High Court had “wrongly conflated the approach adopted in copyright cases, where the offending work is itself transmitted using the services of the service providers, with the approach to be adopted in the present case where the substantive act of infringement, that is to say the supply of the counterfeit goods, is performed by other means, such as by post or courier.”²⁸⁵ The English Court of Appeal dismissed this argument,

282. *Cartier International AG and Others v. British Sky Broadcasting and Others*, [2016] EWCA Civ 658 ¶ 54.

283. *L’Oréal SA v. eBay International AG*, Case C-324/09 ¶ 131-144 [2011] ECR I-6011 (CJEU, July 12, 2011) (EU:C:2011:474).

284. *Cartier International AG and Others v. British Sky Broadcasting and Others*, [2016] EWCA Civ 658 ¶ 65.

285. *Cartier International AG and Others v. British Sky Broadcasting and Others*, [2016] EWCA Civ 658 ¶ 88.

finding that the infringing action of the target websites, and their use of the ISPs' services for this purpose, continued for as long as the websites remained active and that the ISPs were essential actors in all of the communications between the consumers and the operators of the target websites, despite having no contractual relationship with the website owners or control over the services that the websites offered.

The Court of Appeal also held that an intermediary's services do not have to be used physically to transmit or disseminate protected material, noting that the intention of Article 11 of the EU Enforcement Directive is to ensure that holders of intellectual property rights other than copyrights can apply for an injunction against intermediaries whose services are being used by third parties to infringe those rights.

The English Court of Appeal went on to reject the appellant ISPs' submission that there was no evidence to show that the services of each of the ISPs were actually used to transmit any offers or adverts from the infringers' websites to any actual or potential customers in the United Kingdom. The Court found that since the ISPs collectively controlled a market share of 95% of UK broadband users, even if consumers in the United Kingdom had not yet accessed the target websites using the services of the ISPs, there was a real risk that they would do so in future.

The appellant ISPs argued that the grant of a website-blocking order was disproportionate, particularly in that it would be for the ISPs to bear the costs of the implementation of the injunction so long as the implementation was not unnecessarily complex or costly. The ISPs argued that intermediaries that are innocent of any wrongdoing should not be required to pay the costs of implementing a website-blocking order, which should be borne instead by the rightsholders. In addition, they submitted that the costs of the implementation of the orders should include the ISPs' marginal costs of implementation and a contribution to the capital costs of the technical systems needed for that purpose.

The English Court of Appeal disagreed. Critically, it found that relevant provisions of the EU's "Information Society Directive," and the EU Enforcement Directive, read in conjunction with relevant provisions of the EU E-commerce Directive, formed part of a larger scheme that supports and benefits intermediaries, such as the ISPs in the present case, by granting them certain immunities from liability for infringement claims. Within the context of this broader scheme, which could be seen to include both benefits and duties for intermediaries such as the ISPs, the decision that they should bear the costs of an injunction was correct.

The English Court of Appeal also noted that it was economically more efficient for the intermediaries to take action to block the infringing site occurring using their services than to order the

rightsholders to take action against the infringers directly preventing infringement; that the costs of implementation were modest; that the ISPs would be able to bear the costs or pass them onto their subscribers; and that the costs could even be considered as a part of the cost of carrying on the ISPs' businesses. The English Court of Appeal also found that the website-blocking orders would be more effective than other measures. It did, however, also agree with the High Court, that the issue of who should pay implementation costs should be kept under review in future applications.

The English Court of Appeal's judgment that the ISPs should pay for the costs of implementation of the website-blocking orders was not unanimous. Lord Justice Briggs gave a dissenting judgment. He noted that, in English law, there was a long-standing principle that a person who had innocently become mixed up in the wrongdoing of another, so as to facilitate that wrongdoing, had a general equitable duty to provide assistance to the victim of the wrongdoing upon reasonable request. English case-law further indicated that a standard condition for the granting of such an injunction was that the cost reasonably incurred by the innocent respondent should be reimbursed by the applicant. In the judge's opinion, English courts probably would have developed the jurisdiction to make blocking orders regardless of any EU directives, as a natural development of the courts' enforcement of the equitable duty to assist. In his opinion, the starting point in the present case was that the respondent brand owners were seeking to maximize the exploitation of their property rights, and that the cost of protecting such rights was to be expected to fall upon them. It was therefore his (dissenting) opinion that the appeal should have been allowed to the extent of

Imposing upon the applicant for a trademark blocking order the specific cost incurred by the respondent ISP in complying with that order, but not the cost of designing and installing the software with which to do so whenever ordered. It is according to the evidence, a modest cost but one which in principle the rightsholder ought to pay to defray as the price of obtaining valuable injunctive relief for the better exploitation of its intellectual property . . . while there may be exceptional cases justifying a different order, the judge was wrong in principle in concluding that the ISP ought usually to pay the costs of implementation.²⁸⁶

286. *Id.* ¶ 214.

10. United Kingdom—English Court of Appeal—Can the sale of “gray” goods constitute a criminal offense?

In *R v. C and Others* (EWCA Crim 1617),²⁸⁷ the Court of Appeal of England and Wales was asked to rule on the question of whether it can be a criminal offense to sell “gray” goods, or whether the United Kingdom’s criminal sanctions apply only where the goods are counterfeit.

The “gray” goods in this case were branded goods manufactured by factories with the trademark proprietors’ consent, but which were then disposed of without the trademark proprietors’ authorization. These included goods that were part of an order placed by the trademark proprietor with an authorized manufacturer, but which were then cancelled; goods that were part of an authorized batch, but which were then rejected as not being of an acceptable quality, or goods manufactured in excess of the amount required for an authorized order.

The defendants (being the appellants in this case), were a company selling shoes and clothing, and certain individuals connected to it. They were accused of unlawfully selling branded goods in the United Kingdom. They were not themselves engaged in parallel importing. The goods, which were all manufactured in countries outside the EU, included both counterfeit and gray goods (described above) to which well-known brand names such as Ralph Lauren, adidas, Under Armour, Jack Wills, and Fred Perry had been applied.

The case centered on Section 92 (1) of the UK’s Trademarks Act 1994, which provides as follows:

Unauthorised use of trademark & c. in relation to goods

1. A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor—
 - a) Applies to goods or their packaging a sign identical to, or likely to be mistaken for, a registered trademark, or
 - b) Sells or lets for hire, offers or exposes for sale or hire or distributes goods which bear, or the packaging of which bears, such a sign, or
 - c) Has in his possession, custody or control in the course of a business any such goods with a view to the doing of anything, by himself or another, which would be an offence under paragraph (b).

While the United Kingdom’s 1994 Act is intended, in part, to implement the provisions of the TM Directive, Section 92 of the Act is concerned with criminal offenses. Since criminal law relating to

287. *R v. C and Others*, [2016] EWCA Crim 1617 (Nov. 1, 2016).

trademarks is not harmonized between the EU member states, the provisions of Section 92 are special to the United Kingdom.

The appellants sought to argue that the criminal provisions of the 1994 Act are a separate code from the civil provisions of the Act (such as Sections 9 to 12, which implement the TM Directive in relation to trademark infringement). They claimed that, when properly interpreted, Section 92(1)(b) applies only to goods to which the registered trademark has been applied without the consent of the proprietor. In the case of the “gray” goods stocked and supplied by the appellants, the infringing sign had been applied to the goods with the trademark proprietors’ consent. As such, the appellants argued, their sale of the gray goods could not be a criminal offense, and the defendants should only held liable for civil infringement.

The English Court of Appeal found that this argument had “no possible linguistic basis,” and amounted to a distortion of the structure of the criminal provisions of the Act. In the Court’s opinion, the language of the section was clear: “Section 92(1)(b) refers to goods and packaging that bear “such a sign.” Those words must, as a matter of ordinary language, refer back to Section 92(1)(a): “a sign identical to, or likely to be mistaken for, a registered trademark.”²⁸⁸ Contrary to the appellant’s argument, there was no basis for reading the words “such a sign” as also linking back to the word “applies,” nor linking to the opening lines of Section 92(1) which, as was clear from the structure of the section, independently governed each of (a), (b), and (c).

Dismissing the appellant’s other arguments as esoteric, at best, the English Court of Appeal pointed out that established authorities made it clear that the criminal provision had a broad application, extending beyond counterfeit goods. The Court of Appeal denied that (comparing the civil and criminal provisions of the UK Act) there was sufficient ambiguity in the statutory language to justify a reference to Parliamentary debates in order to determine Parliamentary intent, and noted that the apparent disinclination of the United Kingdom’s various trading standards authorities to prosecute in a “gray” goods case (as opposed to counterfeit goods cases) was likely due to the potential difficulties in the proof involved. Nonetheless, the Court of Appeal did go on to consider Section 92 in light of public policy.

The English Court of Appeal noted that its interpretation of Section 92 was very clearly in line with parliamentary intention. It acknowledged that, while the interpretation had the potential to give rise to harsh consequences, trademark violations also have serious results. They can undermine the value of a brand and its trademark, affect legitimate trade, and dupe customers. In some cases, whether goods are counterfeit or “gray” goods manufactured

288. *Id.* ¶ 22.

to a sub-standard level, they create serious health and safety problems.

The Court did also note that it had been the UK Parliament's "stated intention that the exposure to criminal liability should be more restricted than the exposure to civil liability." However, the restrictions on criminal liability lay elsewhere, in particular in the statutory *mens rea* defense set out in Section 92(5) of the UK Act:

(5) It is a defense for a person charged with an offence under this section to show that he believed on reasonable grounds that the use of the sign in manner in which it was used, or was to be used, was not an infringement of the registered trademark.

Furthermore, it is for the prosecution to prove that the offense was criminal, and the trading standards authorities could be relied upon not to prosecute in inappropriate cases.

The Court of Appeal therefore dismissed the appeal. It therefore confirmed that, subject to the restrictions noted above, the sale of "gray" goods in the United Kingdom can, in principle, constitute a criminal offense under Section 92 of the UK's 1994 Act. Offenses under Section 92 are punishable by a maximum of a ten-year prison sentence and a fine.

XI. GLOSSARY

CJEU:

The Court of Justice of the European Union, which refers to itself simply as "the Court of Justice" and is also often referred to as the "ECJ" or "European Court of Justice."

Community:

In EU trademark legislation, the European Community refers to the European Union. The term was used until March 23, 2016, when amendments to EU trademark law came into force; "European Union" is now the preferred term.

- EUIPO:** The European Union Intellectual Property Office. This office handles EU trademark applications, oppositions, and cancellation actions. It was previously called (in its English language version) the “Office for Harmonization in the Internal Market” or “OHIM.” (The name was changed with effect from March 23, 2016.)
- EUTM or EU trademark:** A registered trademark obtained by means of the EU’s centralized procedure (i.e., by application to EUIPO), which provides rights throughout the entire area of the European Union. (Note that the name was changed from “Community Trademark” (“CTM”) to “European Union Trademark” (“EU Trademark”) with effect from March 23, 2016.)
- TM Directive:** Directive 2008/95/EC of October 22, 2008, which provides for the harmonization of the laws of the EU Member States in relation to trademarks; it codifies the earlier Council Directive 89/104/EEC of December 21, 1988. This has now been amended and recast as Directive (EU) 2015/2436 of December 16, 2015, which will repeal the 2008 Directive as of January 15, 2019. (However, unless explicitly stated otherwise, the references to the TM Directive in this Review are to the pre-2008 version of the Directive.)

EUTM Regulation: Council Regulation (EC) No. 207/2009 of February 26, 2009, which provides for EU trademarks; it codifies the earlier Council Regulation (EC) No. 40/94 of December 20, 1993. This was amended by Regulation (EC) 2015/2424 of the European Parliament and of the Council (December 15, 2015), with the amendments taking effect on March 23, 2016. (However, unless explicitly stated otherwise, references to the EUTM Regulation in this Review are to the 2009 version of the Regulation.)

EU General Court: The EU court with jurisdiction to hear appeals from the Boards of Appeal of EUIPO; previously known as the “Court of First Instance” or “CFI.”

Member State: A country that forms part of the European Union from time to time.

sign: As used (but not defined) in the EUTM Regulation and the TM Directive, “sign” is used to refer to the subject matter of which a trademark may consist and is also used (in the context of trademark infringement) to refer to the offending word, device, or other symbol that the defendant is using; often used in practice when the word “mark” could be used.

undertaking: As used in EU legislation, an entity engaged in an economic activity.

Note: EU trademark laws and EU lawyers use the term “trademark” rather than “*trademark*.” However, all references in this issue (including in the text of the legal provisions) have been changed to “trademark” to conform to the norms of *The Trademark Reporter*.

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