

Bird & Bird

Report of Trade Mark Cases

For the CIPA Journal

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Trade mark decisions

Decisions of the General Court (GC) and Court of Justice (CJ)

Injunction appropriate remedy for copyright infringement

Lidl Great Britain Ltd & Anr v Tesco Stores Ltd & Anr (Smith J; [2023] EWHC 1517 (Ch); 21 June 2023)

At trial, Joanna Smith J found that Tesco's use of its Clubcard logo infringed Lidl's trade mark rights in the Lidl logo, constituted passing off and found that the Clubcard logo had been copied from Lidl's logo, thereby infringing Lidl's copyright (see the June 2023 edition of the CIPA Journal). The parties were agreed that Lidl was entitled to an injunction in respect of the trade mark and passing off claims, but were not agreed as to the copyright claim. The Judge held that an injunction was appropriate on the copyright claim. Ewan Grist reports.

Relevant factors

The Judge found that, whilst the Court had a wide discretion to award damages instead of an injunction, the prima facie position was that an injunction should be granted, and the burden was on Tesco, as the defendant, to show why it should not. Following the leading case of *Shelfer* ([1895] 1 Ch 287), the factors to be considered were:

- Was the injury to Lidl's rights arising from the copyright infringement small?
- Was it capable of being estimated in money?
- Was it one which could have been adequately compensated by a small money payment? and
- Was the case one in which it would have been oppressive to the defendant to grant an injunction?

1. Injury to Lidl's rights?

The Judge found that whether the damage suffered by Lidl as a result of Tesco's copyright infringement was assessed on the user principle (i.e. on a reasonable royalty basis) or by reference to the valuation of internal licenses, the injury caused to Lidl was very likely to have been "substantial" given the scale of Tesco's business and the purpose for which it was using the work. The Judge had previously found that this purpose was Tesco's strong desire to stop the switching away of financially squeezed customers and to convey the message of 'value' embodied by the Lidl logo. That purpose would have plainly been relevant to the hypothetical negotiation of a reasonable royalty between the parties.

2. Capable of being estimated in money?

The Judge accepted that assessing damages for past infringement required the court to estimate how effective the unfair advantage obtained by Tesco had been in (i) preventing switching of consumers to Lidl; (ii) encouraging switching of consumers away from Lidl; and (iii) how long that benefit has or will last. That assessment would not be easy and the result inevitably imperfect, but that would only have been exacerbated by permitting Tesco's use to continue (i.e., if an injunction were not ordered).

3. Compensation by a small payment?

The Judge noted the sheer scale, duration and extent of Tesco's infringing use of the logo and the success of its Clubcard Prices promotion. She concluded that it was difficult to see how the compensation due to Lidl could be "anything other than substantial".

4. Oppressive to Tesco?

The Judge recognised that Tesco would have to incur significant costs in removing the logo to comply with any injunction, but that did not outweigh Lidl's legitimate interest in obtaining it given the extent of damage that Tesco's use of the logo had and would continue to cause unless stopped. The Judge noted here that Lidl had made a number of settlement offers to Tesco throughout the action giving Tesco the opportunity to change the logo on reasonable timescales without making any damages payment, all of which Tesco had refused. The Judge noted that it would not be oppressive to grant an injunction in circumstances where Tesco refused to cease use of the logo, but on the contrary had continued its roll out whilst ignoring reasonable offers from Lidl. Tesco was aware of the risks attached to so doing and yet it chose to persist in the unlawful use.

Conclusion

Ultimately, the Judge declined to exercise her discretion to award damages in lieu of an injunction in respect of the copyright claim. Lidl had a legitimate interest in seeking a final injunction to prevent use of its artistic work in the form of the Lidl Logo and it would be neither oppressive nor disproportionate to grant such an injunction. Furthermore, this was not a case in which the injury to Lidl was small, capable of being estimated in money or adequately compensated by a relatively small money payment. The Judge agreed with Lidl that the only certain way to put an end to the loss that Lidl was incurring by reason of the continuing use of the infringing CCP Signs was to grant a final injunction.

The parties agreed to stay each injunction pending any application for permission to appeal. However, the parties disagreed on the time period that Tesco would require to comply with the injunctions once in place. Lidl argued that fourteen days would be sufficient, whereas Tesco argued that nine weeks was required for most usages of the logo, and twenty weeks for its clothing products; however, Tesco acknowledged that it had already instructed its clothing suppliers to stop applying the logo to future products, so the twenty-week timescale would reduce over time. The Judge accepted Tesco's suggested time periods because she considered there was no significant degree of urgency for the implementation of the changes. However, she stated that the need for the twenty-week carve out may have become unnecessary by the time the proceedings had concluded.

When can a defendant claim 'honest concurrent use'?

Match Group, LLC & Ors v Muzmatch Ltd & Shahzad Younas (The Lord Chief Justice of England & Wales, LLJ Arnold and Nugee; [2023] EWCA Civ 454; 27 April 2023)

The Court of Appeal dismissed Muzmatch's appeal from the first instance decision where the Judge found that use of Muzmatch for a dating service targeted at Muslims infringed the trade mark MATCH.COM and amounted to passing off. The Court of Appeal, Arnold LJ giving judgment, took the opportunity to review the law on honest concurrent use, concluding that the Judge correctly rejected Muzmatch's defence. Katharine Stephens reports.

Background

Match has provided on-line dating services in the UK since 2001 and is the proprietor of a number of trade marks including MATCH.COM registered in Classes 9, 42 and 45 for software in the nature of a mobile application for internet-based dating, a social media website, dating services and other similar goods and services.

Muzmatch was a dating service targeted at Muslims. It was founded in 2011 by the second defendant, Mr Younas. The evidence clearly established that by then, the MATCH.COM mark had a very significant reputation and was clearly known by a very substantial part of the public concerned with dating services and was in fact the dominant force in the market.

Match became aware of Muzmatch's activities in 2016. Following correspondence, there were without prejudice discussions but these broke down and proceedings were issued.

At first instance ([2022] EWHC 941 (IPEC)), the Judge, Caddick K.C. sitting as a Deputy High Court Judge, held that there was infringement under sections 10(2) and 10(3) and that the claim to passing off succeeded. Muzmatch claimed they had a defence of honest concurrent use to both the claims of trade mark infringement and passing off stemming from 10 years of parallel trade. The defence was rejected by the Judge.

Is honest concurrent use a separate defence?

Arnold LJ held that the Judge was correct in considering honest concurrent use to be a factor that was to be taken into account as part of the global assessment of infringement, rather than a separate defence.

How does honest concurrent use fit into the legal framework?

Neither the EUTM Regulation, the Directive, nor the 1994 Act provide for a defence of honest concurrent use. It was not a matter which could be read into the Regulation or Directive under EU law and, in relation to the 1994 Act, no submission was made to the Court of Appeal that it was possible to do so following Brexit.

In reviewing how honest concurrent use therefore fits into the legal framework, Arnold LJ consider a number of cases. The *Budweiser* case related to beer sold under the name Budweiser. Budejovický Budvar (BB)

started selling its beer in the UK in 1973, followed a year later by Anheuser-Busch (AB). This led to a number of cases between the two, including a declaration of invalidity brought by AB against BB's registered trade mark, BUDWEISER. The ECJ held in *Budejovický Budvar np v Anheuser-Busch Inc* [2011] ECR I-870, Case C-482/09 that:

"the proprietor of an earlier trade mark cannot obtain the cancellation of an identical later trade mark designating identical goods where there has been a long period of honest concurrent use of those two trade marks where, in circumstances such as those in the main proceedings, that use neither has nor is liable to have an adverse effect on the essential function of the trade mark which is to guarantee to consumers the origin of the goods or services."

When the case returned to the Court of Appeal ([2012] EWCA Civ 880), the Court made it clear that the defence existed even though there could be a likelihood of confusion or even a small amount of actual confusion where the trade mark had come to be understood by most of the relevant class of consumer as denoting different trade sources.

Subsequent UK cases established that honest concurrent use could be relied upon to defeat an allegation of infringement under section 10(2), not as a free-standing defence, but because the conditions for infringement were not satisfied – see for example *IPC Media Ltd v Media 10 Ltd* [2014] EWCA Civ 1439. In this case, the defendant had used the name Ideal Home Show for its exhibitions since 1908 and the claimant had published a magazine under the name Ideal Home since 1920. The defendant's defence of honest concurrent use defeated the allegation of infringement of the registration for IDEAL HOME owned by the publisher of the magazine because the exhibition organiser's use did not have an adverse effect upon the essential function of the mark.

In this case, it was common ground between the parties that the same was true under section 10(3) and Arnold LJ held that the relevance of honest concurrent use lay in assessing the existence of one of the specified kinds of injury under that section.

Who has the burden of proof?

Arnold LJ held that, once the claimants established a *prima facie* case of infringement, the burden shifted to the defendants to establish that, by virtue of their honest concurrent use, there was nevertheless no adverse effect on any of the functions of the trade mark.

What was the date for assessment?

The general rule for the assessment of infringement is the date when use of the sign complained of commenced. However, it was not a once-and-for-all assessment and a use which was initially infringing could, in theory, eventually cease to be infringing if the trade mark proprietor took no action, there was substantial parallel trade for a long period and, as a result, the trade mark and the sign came to be understood by the relevant class of consumers as denoting different trade origins. It followed that it was not necessary for the use complained of to have started before the trade mark was registered.

Arnold LJ held that the Judge's analysis eliminated the possibility that, whilst there was a likelihood of confusion in 2011 when the defendants started using Muzmatch, there was no such likelihood by the time of trial.

Do the marks denote different trade origins?

As noted by the Court of Appeal in the *Budweiser* case, even in cases where there is a small level of actual confusion, there can still be honest concurrent use where the relevant class of consumers have come to understand that the trade mark and the sign denote different trade origins.

Although the Judge did not, in terms, ask himself whether most of the relevant class of consumers had been educated to understand that MUZMATCH was unrelated to MATCH, Arnold LJ considered it clear from his analysis of the likelihood of confusion that, had he posed himself that question, his answer would have been in the negative. The essence of the Judge's analysis was that it was likely that a substantial proportion of the relevant class of consumers encountering MUZMATCH would assume that it was related to MATCH at all relevant dates. Not only was the Judge entitled to reach such a conclusion, it followed that he was entitled to conclude that the defendants' concurrent use did not demonstrate otherwise.

Unlike the *Budweiser* and *Ideal Homes* cases, this was not a case where the length and scale of the concurrent use compelled the Court to infer that most consumers had learnt the difference between the two marks. That conclusion was equally applicable to the claim for passing off. Still less did the defendants' concurrent use demonstrate that their use of MUZMATCH did not take unfair advantage of the reputation of Match Group's marks, given that that finding was premised upon there not being a likelihood of confusion.

Was the defendants' use honest?

Given the Court of Appeal's finding, it was not necessary to decide the point. However, Arnold LJ noted that the claimants relied upon the fact there was no evidence that Mr Younas carried out a trade mark search in April/May 2011. He agreed with the claimants that this was a relevant factor to take into account, but, as he had stated in *Walton International v Verweij Fashion* [2018] EWHC 1608 (Ch), a mere failure to carry out a search was not sufficient to negate honest concurrent use.

Other issues on appeal

Did the Judge correctly characterise the average consumer?

The Judge had correctly taken into account the characteristics of the average consumer when making his global assessment of infringement in that they were a member of the general public who was or could be interested in looking for a partner by means of an on-line dating service. Importantly, they would pay a higher level of attention than for normal consumer items given that users of dating services have to provide a significant amount of personal data.

Did the Judge correctly compare the services under section 10(2)?

Arnold LJ did not accept that the Judge had been in error when he held that services provided by Muzmatch were identical or clearly complementary to those for which the Match marks were registered such that there was a relatively high level of similarity. Not only had the defendants admitted that their services were identical, but the Judge held that the average consumer could be of any religion, so there was no separate contextual factor. Furthermore, there was an overlap between the customers targeted by each of the parties.

Did the Judge correctly take into account the absence of evidence of factual confusion?

The Judge held that, despite 10 years of parallel trade, the lack of evidence of actual confusion did not change his view that there was a likelihood of confusion. He was of the view that it could be explained by the fact that both parties' services were provided via websites and apps and therefore it would be hard to see how or why any confusion that there might be in the customer's mind would come to light.

The defendants' submitted that both parties used social media and therefore it should have been easy for well-resourced claimants to find instances of confusion (as had been noted by Arnold J (as he then was) in *Glaxo Wellcome v Sandoz* [2019] EWHC 2545 (Ch)). However, not only had this case not been cited to the Judge, it was far from clear to Arnold LJ that the relevant searches had been carried out by either of the parties. Therefore, the Judge could not be criticised for not taking into account the possibility of instances of confusion being detected by searches of social media.

Passing off in the sale of skin serums

Yours Naturally Naturally Yours Ltd ('YNNY') v Kate Mclver Skin Ltd ('KMS') & Anr (Judge Hacon; [2023] EWHC 890 (IPEC), 20 April 2023)

Judge Hacon held there had been passing off in a case where a skincare product had been misrepresented as the claimant's product. Judge Hacon also found there had been copyright infringement but the claim to malicious falsehood failed. Frederique Delmotte and Heidi Hurdle report.

Background

An anti-aging serum named ELIXIR was brought to the market in 2015 by Ms Tang, the sole-director of the claimant skin care company YNNY. Kate Mclver, owner of the defendant company KMS, bought ELIXIR for her own use in 2017 after chemotherapy had caused her to suffer from severe skin irritation. Shortly after, Ms Tang became aware of Ms Mclver's social media posts regarding her battles with breast cancer, and correspondence was struck up between them. Off the back of this connection, Ms Tang allowed Ms Mclver to sell the ELIXIR product. This was initially permitted under Ms Tang's own label, with the ELIXIR mark present on the product. The idea of Ms Mclver selling the product under her own label was discussed between them at various times.

Between April and June 2018, Ms Mclver sold the products bearing a label featuring the name KATE MCIVER in upper case, the word ELIXIR in prominent script, together with a description of the product, a list of contents

and Ms Mclver's email address and post code. On two occasions in June 2018, Ms Mclver asked Ms Tang for some text to market the product, which Ms Tang provided.

Also in 2018, Ms Mclver made several claims on social media suggesting she had created the formulation herself. In the first such post on 6 June 2018, she made a statement that she had "*literally put [her] life and soul it too [sic] researching and training, creating bespoke treatment and tailor making the ingredients*", and later she said "*I made this with my very own hands [to] remove a scar last year & yes it worked!!!!*". Similar statements were made later in 2018 to the Liverpool Echo and in a radio interview with Gabby Roslin.

From 20 June 2018 to August 2018, Ms Mclver sold the serum under a label branded with the words SECRET WEAPON and KATE MCIVER in prominent upper-case script. As before the label contained a description and ingredients, an email address and post code. For the first time it included in a small typeface the letters YNNY. The label no longer featured the mark ELIXIR, although Ms Mclver told the public it was still the serum that she had created.

On 20 August 2018, KMS was incorporated and sold the serum under the SECRET WEAPON labelling mentioned above. Ms Mclver worked with a third party to reformulate the serum over the following weeks, and on 1 October 2018 she announced a new formula on social media. On 30 November 2018, KMS informed Ms Tang that it would cease to use her as a source of the serum with immediate effect. From 1 December 2018, KMS sold the new formula under the SECRET WEAPON branding, without any reference to ELIXIR. In early 2019, a second reformulation was created, and sold from March 2019 with the word 'original' featured prominently on the packaging. Ms Mclver died on 24 March 2019.

Ms Tang brought proceedings against KMS for passing off, malicious falsehood, causing loss by unlawful means, and copyright infringement.

Passing off

The Judge found that Ms Tang had acquired goodwill in her business by 6 June 2018, i.e., the date Ms Mclver had made the first alleged misrepresentation on social media that she had created the serum herself. Ms Tang's business of selling her serum had started in June 2015 and continued without interruption by 6 June 2018.

It was further held that Ms Mclver's statements on social media constituted express representations that she was the creator of the ELIXIR serum, and implied she was the creator of the serum sold by anyone else. These express and implied statements up to March 2019 amounted to actionable misrepresentations. However, various factors led the Judge to conclude that the misrepresentations continued after March 2019, including the fact the reformulations were marketed alongside the word 'original', which the Judge held had implied a throwback to the earlier formulation.

Although goodwill and misrepresentation had been established, the Judge held there had been no loss of sales for YNNY. On 30 November 2018, Ms Mclver had terminated the arrangement with Ms Tang, so there could have been no lost sales after that date. Before that date, it was possible the misrepresentation had led to an increase in Ms Mclver's sales, but that would have in turn meant an increase in Ms Tang's sales.

However, the Judge held there had been damage to YNNY's reputation as well as loss of distinctiveness of the ELIXIR brand. The use of the word 'original' in respect of the reformulations exposed YNNY to reputational damage caused by quality issues in those reformulated products. Indeed, there was evidence of one customer finding the first reformulation to have caused a skin break-out. Further, the misrepresentations that had been made, and the possibility of continuing misrepresentations, risked rendering ELIXIR a generic name for a type of skin serum. Passing off was therefore made out.

Malicious falsehood and loss by unlawful means

Considering the malicious falsehood claim, the Judge held that the element of malice had been established - this was because the Judge considered Ms Mclver to have known that her statements were false regarding the identity of the creator of the serum. The claim failed, however, because there was no evidence of monetary loss (i.e., loss of sales) to YNNY/Ms Tang, as mentioned in relation to the passing off claim above.

The claim for loss by unlawful means also failed. One of the limbs of that test required an intention to cause loss to the claimant – the Judge held that had not been made out.

Copyright infringement

The copyright claim related to Ms McIver's use of Ms Tang's wording to market the products. The Judge found there had been an implied bare licence between Ms Tang and Ms McIver, which permitted Ms McIver to use Ms Tang's marketing materials to promote the ELIXIR product. Ms Tang had freely supplied the wording in question to Ms McIver at her request in June 2018, which created the licence, so there was no copyright infringement at that time. However, this licence extended only so long as Ms McIver bought the serum from Ms Tang. The licence therefore ended after the termination of their arrangement on 30 November 2018. Use thereafter constituted copyright infringement.

The CJ and GC decisions can be found at https://curia.europa.eu/jcms/jcms/j_6/en/. Cases marked with a * can be found at <http://www.bailii.org/>.



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