

How courts view surveys in trade mark cases

Surveys in trade mark cases have come under increased scrutiny from courts lately. **Uwe Lüken**, **Peter Brownlow** and **Nick Aries** review recent developments in Germany and the UK

In Germany and the UK, survey evidence has been used as evidence in court and Registry proceedings relating to trade marks, particularly as support for arguments as to distinctiveness and likelihood of confusion. Tribunals in both countries have, however, had different views on the weight to be attached to the results of such surveys and the circumstances in which they should be admitted. We examine the different approaches taken to survey evidence in the UK and Germany.

Germany

Survey evidence is an important tool in trade mark cases in Germany. However, unlike other countries such as the UK its domain is not or almost not the question of infringement (similarity/danger of confusion) but rather the validity and strength of a mark.

Validity

Surveys are traditionally a very important means to prove acquired distinctiveness through use (secondary meaning; see Article 3 (3) of the Community Trade Mark Directive as well as Article 7 (3) of the Community Trade Mark Regulation). This tradition predates the CJEU case law which appears to be much more sceptical in relation to survey evidence. In *Chiemsee*, the CJEU set a list of criteria such as market share, geographical spread and duration of use to assess whether a sign is understood to identify goods as originating from a particular undertaking. In addition the CJEU stated that

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Survey evidence can be useful in trade mark cases in both Germany and the UK. However, courts in the two countries have taken very different approaches on how much weight to attach to such surveys and when they should be admitted. In Germany, survey evidence is primarily used in assessing the validity and strength of a mark, rather than the question of infringement. Courts have developed relatively clear guidance on the level of recognition required, though this is likely to be reviewed following recent CJEU cases. In the UK, meanwhile, the so-called Whitford guidelines have established rules for survey evidence in trade mark cases since the 1980s. However, in recent years the practice of witness collection programmes has come under greater scrutiny from the courts, notably in the *Interflora* cases.

Costs, practical thoughts and other areas

Survey evidence is expensive. Costs can start at €3,000 to €5,000 but can go up to €50,000 or more. The more specific the group you have to target the more expensive the survey will be. As with other professional services there can be a relationship between cost and quality. There is a rather small number of leading experts in the field who are accepted by the courts. It is especially important to have the right questionnaire. This requires a lot of experience in drafting such questionnaires. If the questionnaire is later not accepted by the court/trade mark office you may have spent a lot of money for nothing. There might be the chance in some proceedings, such as registration proceedings, to agree on the questionnaire with the examiner. However, this has the downside that you will have to show the survey to the office even if you are unhappy with the results.

Surveys are also used in German unfair competition proceedings, to prove whether a statement is misleading, and potentially also in design cases.

Community law does not preclude the national authority from considering an opinion poll provided that the authority has “particular difficulty”.

While the *Chiemsee* decision dates from 1999 it did not have a substantial effect on German practice. Last year the CJEU confirmed its findings in *Chiemsee* in its decision *Sparkassen-Rot*. It particularly stated that findings in relation to acquired distinctiveness cannot solely be based upon a survey. It remains to be seen whether that will have a stronger impact in Germany.

How to conduct a survey?

Given the relevance of survey evidence in Germany it seems fair to say that the test for surveys is fairly advanced. There is a model questionnaire as part of the Examination Rules of the German Patent and Trade mark office (Deutsches Patent- und Markenamt – DPMA). This consists basically of a three-prong test:

- Step 1: Do you know sign X in relation to good Y?
- Step 2: Do goods with sign X derive only from undertaking or from different ones?
- Step 3: What is the name of the undertaking?

The three questions constitute a filtering mechanism. Only positive answers get the interviewee to the next question. Consequently, you will automatically lose interviewees at each stage. Hence, there are limitations on percentages that you can achieve.

While this model is a good starting point – as is often the case – the devil lies in the details. The following are issues that can often arise:

- What is the relevant public? (Everybody or is the audience limited?)
- How to describe the goods and or services? (The well-

crafted descriptions within the specification of an application/registration are employed to be as clearly defined in legal conflicts as possible. However, this legal language is often hard to understand for laymen whose opinion is important. There needs to be a translation and with every translation there is the risk that things get lost in translation).

- How can you introduce the subject to the interviewee? When can an introduction be leading?
- Can there be further questions to make sure that the interviewee is understood correctly? For example, if somebody says that a sign is used by different undertakings it is important to ask whether he thinks those undertakings have a link. Of course, the sign McDonald’s is used by different restaurants which could be owned by the same company or by different ones (such as franchisees). However, in all cases the sign is used by undertakings that have a link to the trade mark owner.

In relation to the third stage the relevant point is not that the interviewee needs to name or even correctly name the trade mark owner. For example, the percentage of people who know whether a consumer brand is owned by for example Procter & Gamble or Unilever might be low. In some cases brands/product ranges are even sold from one owner to another, companies merge etc. That is not decisive. Consequently, the third stage is construed as a cross check. It is not necessary that answers are right. However, answers that are clearly wrong will be deducted from the results of stage 2.

What percentage is necessary?

Percentages are without doubt the hot topic in German practice. The German Federal Court of Justice in Karlsruhe (Bundesgerichtshof – BGH) has repeatedly stated that – unless there are special circumstances – the minimum requirement is 50%. The BGH has made one exception to that rule. If a word sign is clearly descriptive and generic the BGH has in the past asked for an almost unanimous understanding of such sign as designating origin. Relevant cases are *Kinder* (children in German), *Post* and *Lotto*. In one of the later decisions the BGH has expressly stated that the requirements have to be realistic at the same time. That means the requirements cannot be so high that they are not possible to achieve.

This practice of the BGH has been criticised for two reasons. First, if a sign is per se very descriptive it is much harder to achieve recognition as trade mark. If, in a case like that, the requirement would be to achieve a higher percentage this would amount to an additional hurdle. Secondly, the CJEU has expressly stated that the importance of keeping a sign available for others cannot lead to a differentiation as regards distinctiveness requirements (*Chiemsee*). This has been confirmed by the CJEU in *Sparkassen-Rot*.

The German practice is not clear. In most cases courts have accepted the 50% benchmark. This is true for the BGH in a case relating to a three-dimensional praline (*Rocher-Kugel*) and the Federal Patent Court (Bundespatentgericht – BpatG) in case of the Lindt Easter Rabbit.

At the same time other senates of the German BPatG have asked for percentages of 75% in relation to the Nivea blue colour and 70% in relation to Sparkassen-Rot which was a question that was referred to the CJEU in the latter case.

There is hope that courts will stop asking for very high percentages in view of the CJEU decision in *Sparkassen-Rot*.

Infringement proceedings

While in other countries courts rely on survey evidence in relation to the question of danger of confusion, that is not the case in Germany. German courts traditionally find that danger of confusion is a question of law and not a question of fact. Hence, courts will not accept survey evidence on this legal question as such. At the same time, courts agree that actual confusion indicates danger of confusion. Nevertheless, survey evidence is still rather rare. One reason might be that courts have been rather strict on survey evidence in relation to danger of confusion.

How critical German courts are vis-à-vis surveys on danger of confusion is illustrated by a decision of Court of Appeal in Cologne (*Gelbe Wörterbücher*; the case was later confirmed by the BGH but the survey aspect was not relevant before of the BGH). The Court had to decide on an infringement claim based on an abstract colour trade mark, registered for dual language dictionaries. The defendant had, among other

things, relied on a survey showing in his opinion a very limited degree of confusion. The Court said one reason it could not rely on the survey was that it had asked questions on the wrong subject. The survey had compared both parties' products. However, legally you had to compare the abstract colour (in that case yellow) with the product subject to the attack.

The same case illustrates that surveys are important for German courts to show the strength of the claimant's trade mark. In accordance with the *Libertel* decision of the CJEU, German courts only regard colour as potentially infringing trade mark use under special circumstances. One such circumstance is if the mark the claim is based upon is particularly strong, that is the trade mark owner had educated the public to understand the particular colour as an indicator of origin in the particular business field. Hence, courts are interested in surveys showing the strength of a colour trade mark to decide on whether the defendant uses a mark as a trade mark.

There is one other obvious area. For surveys in infringement proceedings in Germany, if you want to rely on a well-known mark it is very helpful (and often required) to have survey evidence. Interestingly, the courts allow lower percentages to qualify for a well-known mark than to overcome absolute grounds for refusal. Survey evidence in the 20% to 30% is often sufficient. Courts have even accepted results around 10% under certain circumstances.

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The Whitford guidelines, stated by Mr Justice Whitford

These can be summarised as follows:

- i) if a survey is to have any validity at all, the way in which the interviewees are selected must be established as being done by a method such that a relevant cross-section of the public is interviewed;
- ii) any survey must be of a size which is sufficient to produce some relevant result viewed on a statistical basis;
- iii) the party relying on the survey must give the fullest possible disclosure of exactly how many surveys they have carried out, exactly how those surveys were conducted and the totality of the number of persons involved, because otherwise it is impossible to draw any reliable inference from answers given by a few respondents;
- iv) the questions asked must not be leading; and must not direct the person answering the question into a field of speculation upon which that person would never have embarked had the question not been put;
- v) exact answers and not some sort of abbreviation or digest of the exact answer must be recorded;
- vi) the totality of all answers given to all surveys should be disclosed; and
- vii) the instructions given to interviewers must also be disclosed.

United Kingdom

For a period between the early 1990s through to 2013 trade mark litigation before the courts of England and Wales regularly featured evidence from witness collection programmes. This evidence was relied on to support arguments that a trade mark was distinctive or had acquired goodwill or alternatively to establish a likelihood of confusion. In fact, it would have been considered unusual for there not to have been some sort of survey evidence in cases where these arguments were being made.

Rather than evidence being by way of a statistical survey, in a witness collection programme, the witnesses were identified by a pilot survey or experiment (such as contacting purchasers of a product) and statements were taken from these individuals. Often the witnesses were then brought to court to give the judge an impression of how the public might see the sign.

Witness collection programmes became popular because of the expense of complying with the requirements laid down by the courts for the admissibility of a full survey. Since the early 1980s, the courts had applied what are known as the Whitford guidelines in relation to the admission of survey evidence in trade mark infringement cases. These guidelines were stated by Mr Justice Whitford in *Imperial Group plc v Philip Morris Ltd* [1984] RPC 293 (see box).

The admissibility of witness collection programmes and survey evidence in general was reviewed by the English Court of Appeal in *Marks and Spencer v Interflora* [2012] EWCA civ 1501 (*Interflora 1*).

The practice previously adopted by the courts was to allow this type of evidence in unless the judge was satisfied that it would be valueless. The approach was summarised in Mr Justice Mann's judgment in the *A&E* case [2011] EWHC 1038 (Ch). Lord Justice Lewison, giving the Court of Appeal's judgment in *Interflora 1*, reversed the onus, stating that the judge should not let in survey evidence unless (a) satisfied it would be valuable and (b) that the likely utility of the evidence justifies the costs involved.

The Court of Appeal held that an applicant seeking permission to carry out a survey should provide: (i) the results of any pilot survey; (ii) evidence that the further survey will comply with the Whitford guidelines; and (iii) the costs of carrying out the pilot and estimated cost of the further survey. An applicant seeking permission to call witnesses who responded to a survey or other experiment (which would cover witness collection exercises) should: (i) provide the draft witness statements; (ii) show their evidence will be of real value; (iii) identify the survey/other experiment and give full disclosure on the circumstances of the survey and all answers received; (iv) disclose how the proposed witnesses were selected from the survey respondents; and (v) state the cost of the pilot survey and estimated cost of any further work in relation to the witnesses.

Six months after its first survey evidence ruling, on March 23 2013 the Court of Appeal gave another judgment in the same *Interflora v M&S* litigation, giving further guidance on how the new test should be applied (*Interflora v Marks and Spencer* [2013] EWCA civ 319 – "*Interflora 2*").

The test – "REAL value"

Following the Court of Appeal's decision in *Interflora 1*, *Interflora* had obtained permission from the Court to call evidence from witnesses who, said *Interflora*, gave evidence of confusion in the real world. *Interflora* had sent out a prize draw questionnaire by email to 100,000 people identified from *Interflora*'s own customer records and from a questionnaire as having seen M&S's advertisements after having searched for "*interflora*". *Interflora*'s solicitors telephoned those people who had provided relevant responses and agreed to be contacted, producing witness statements from 13 of them. The judge considered this evidence was "likely to be of some value in assisting the court", saying it did not appear to be "of little or no value".

The Court of Appeal disagreed. They considered the evidence was tainted as (1) seven of the witnesses had been asked a leading question and (2) all the witness statements painted a more favourable picture to *Interflora* than the raw questionnaire responses from which they were generated. Further, there were 24 other interviewees who had clearly distinguished M&S from *Interflora*. As a consequence the Court of Appeal considered this imposed an unfair burden on M&S to disprove the validity of the evidence rather than requiring *Interflora* to validate it at the gatekeeping stage. The Court of Appeal emphasised that evidence of this kind should only be let in if it is likely to be of "REAL" value and the likely value justifies the cost.

Survey evidence in relation to distinctiveness

Last year the High Court considered the question of the admissibility of survey evidence in *Enterprise Holdings Inc v Europcar Group UK Ltd & Anr* [2014] EWHC 2498 (Ch).

The Judge referred to the fact that the Court of Appeal in *Interflora 1* had focused on survey evidence in relation to alleged confusion and that different considerations may come into play where the issue was one of acquired distinctiveness. However the Court decided that the test to be applied was no less strict and the court was still required to consider: (i) whether the survey was likely to be of real value, including whether it was likely to be held to be valid at trial; and (ii) whether the cost of the survey was justified by the likely benefit.

In the Court's view it was likely that the surveys would be of real value at trial because the trial judge would not be able to determine with certainty whether the mark in question had acquired distinctive character using his own knowledge and experience.

The judge also thought that the cost/benefit test must be primarily for the purpose of the party that opposed the admission of the survey evidence. In this regard, he commented that the defendant had already incurred higher costs opposing the survey application than the estimated cost of the survey itself. As a result, the judge held that the likely value of the surveys did

justify the cost in this case and granted Enterprise permission to rely on the survey evidence applied for.

One unfortunate consequence of granting permission to adduce survey evidence in this case was that the objections to it were able to be run twice by the defendant, once at the application and again at the trial. As the judge remarked, this had had an unfortunate effect on the costs of the case.

Surveys still alive

The cases that have followed *Interflora* indicate that, as Lord Justice Jacob acknowledged in *Interflora 2*, the days of survey evidence in trade mark litigation in the courts of England and Wales are not over. However, it is fair to say that it will be more difficult to have this type of evidence accepted by the courts in the future.



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