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Trade marks: goods in transit

Summary

The European Court of Justice (ECJ) has held that a trade mark owner can oppose a third party placing goods bearing its trade mark under the duty suspension arrangement if those goods have been introduced into the EEA and released for free circulation without the owner's consent.

Background

Trade mark owners are entitled to prevent third parties not having their consent from using in the course of trade any sign which is identical with the trade mark (*Articles 5(1) and (3), Trade Marks Directive (89/104/EEC, now replaced by 2008/95/EC)*) (Article 5). The prohibited activities include offering, marketing, importing or exporting goods under the sign.

The Council Regulation establishing the Community Customs Code (*92/2913/EEC*, now replaced by *2008/450/EC*) provides for a customs suspension arrangement for goods that are brought into the EU with the intention that they will be re-exported to a country outside the EU without being released for free circulation within any EU member state (the customs suspension arrangement).

A suspension arrangement is defined as a tax arrangement applied to the production, processing, holding and movement of products, excise duty being suspended (*Directive 92/12/EEC, now replaced by 2008/118/EC*).

The placing of trade-marked goods in transit under a suspension customs arrangement does not in itself infringe the exclusive right of a trade mark owner (*Koninklijke Philips Electronics NV v Lucheng Meijing Industrial Company Ltd and others, Nokia Corporation v Her Majesty's Commissioners of Revenue and Customs* (*Philips v Nokia, www.practicallaw.com/1-517-3293*).

Facts

Goods produced by the trade mark owner B were transported by V to the Netherlands from a country outside the EEA. At V's request the goods were stored by T in T's Rotterdam warehouse and placed under the customs suspension arrangement.

Some of the goods were then released for free circulation, which brought an end to the customs suspension arrangement and gave rise to the payment of import duties in a tax warehouse.

B issued proceedings in the Netherlands district court, claiming that its "Benelux" trade marks had been infringed.

The Hague Court of Appeal stayed the proceedings and referred questions about the relevance of the customs arrangement to the potential infringement to the ECJ.

Decision

The ECJ ruled that Article 5 must be interpreted as meaning that the proprietor of a trade mark registered in one or more member states may oppose a third party placing goods bearing that trade mark under the duty suspension arrangement after they have been introduced into the EEA and released for free circulation without the consent of that proprietor.

Philips was distinguished as here the customs arrangement had ended once the goods had been released for free circulation.

A trade mark owner was not obliged to wait for the release for consumption of the goods covered by its trade mark to exercise its exclusive right. It could also oppose certain acts committed without its consent before that release for consumption, including the importation of goods and storage for the purpose of putting them on the market.

V's actions of importing the bottles into the EU without B's consent, placing them under the duty suspension arrangement, then detaining them in a tax warehouse until the payment of import duties and their release for consumption, must be classified as "use in the course of trade" under Article 5(1) of the Trade Marks Directive (Article 5(1)).

The terms "using" and "in the course of trade" in Article 5(1) did not refer only to immediate relationships between a trader and a consumer, but would also apply where an economic operator imports or sends to a warehouse keeper goods which bear a trade mark of another company with a view to releasing them for marketing. Similarly, "in the course of trade" would apply where an economic operator, such as V, active in the parallel trade of trade-marked goods, imports and stores these goods. However, T's actions in providing a warehouse service for goods bearing another's trade mark did not constitute "use" of a trade mark.

Importing products without the trade mark owner's consent and holding them in a tax warehouse before their release for consumption in the EU deprived the owner of the possibility of controlling the conditions of the first placing on the market within the EEA of products bearing its trade mark. Those acts also adversely affected the function of the trade mark of identifying the undertaking from which the products originated and under whose control the initial placing on the market was organised.

Comment

The revised Community Trade Mark Regulation and Trade Marks Directive, which is due to come into force later in 2015, will change the rules on transit goods. Trade mark owners will be entitled to prevent the bringing into the EU of counterfeit goods that are not being released for free circulation there, unless the holder of the goods can show that the trade mark owner is not entitled to stop the marketing of the goods in the final destination country.

This decision provides guidance on the status of goods that are placed under a suspension customs arrangement and later released for circulation, and the position of the companies involved in these operations. In order to obtain a remedy for infringement, such as destruction of the goods, the trade mark owner must prove not only that the goods would infringe an intellectual property right applicable within the EU if released onto the market there, but also that their release into circulation in the EU is envisaged.

Case: TOP Logistics BV and another v Bacardi and Company Ltd and another C-379/14.

Passing off: survey evidence

Summary

The High Court has refused permission for survey evidence to be adduced to support a claim of passing off.

Background

The Court of Appeal has stated that courts should not allow survey evidence, even if technically admissible, unless satisfied that it will be valuable and that its likely usefulness will justify the costs of the survey (*Interflora Inc v Marks & Spencer plc, www.practicallaw.com/2-523-7850*).

Facts

L owned a Community trade mark and a trade mark in relation to London black cabs, which depicted different versions of the cab.

F proposed to launch a new "Metrocab" taxi. Although commercial sales had not yet begun, the new taxi had been the subject of trials on the London streets since January 2015.

L sued F for passing off and trade mark infringement. It conducted a pilot survey, which involved interviewing 98 people from London after showing them photographs of one of L's taxis and one of the new "Metrocab" taxi taken from F's publicity materials. A key question in the survey was whether, on being shown the photographs, the respondent thought that there was a connection between the company that made Metrocab and the company that made the London black cab, and why the respondent had that view (the key question).

L applied for permission to:

- Adduce in evidence the results of its pilot survey to establish its passing off claim.
- Carry out a full survey in the form of the pilot and adduce in evidence the results for the same purposes.
- Rely on evidence from respondents to both surveys by adducing the signed completed questionnaires as their witness evidence.

Decision

The court refused L's application.

Nothing in the case was likely to be so unfamiliar or not readily understandable to the court at trial to require the admission of L's survey evidence.

The key question was fatally flawed. By asking about a connection between the companies that made the vehicles depicted in the photographs, the question did not deal with the issue of deception. In addition, the answers to the pilot survey demonstrated that it was a fallacy to suggest that those who believed that there was a connection had been deceived into that belief, and still less deceived because of any similarity in appearance between the vehicles.

It was also a leading question which directed respondents into a field of speculation which they would never have embarked on had the question not been put.

L's costs budget showed that the cost of conducting the full survey of 1,000 people would be about £100,000, which was roughly 20% of its total litigation budget of £488,000. These costs were significant, particularly as the survey evidence was only relevant to the passing off element of the claim. Another relevant factor was that the trial estimate would need to be increased or a disproportionate part of the time would be spent with regard to witnesses from the surveys.

In addition, L had made the application too late and, if granted, this would have jeopardised the trial date.

Comment

The emphasis on cost-benefit analysis, as part of courts' increasing involvement in case and costs management, underlies the current difficulty of admitting survey evidence in relation to trade mark infringement and passing off claims. Where a case concerns both passing off and trade mark infringement but the proposed survey evidence only relates to the passing off element, an important consideration is how much of the parties' litigation budgets will be spent on the survey and how much of the trial will be spent considering evidence that assists with only one element of the claim.

The court will now determine this dispute without the assistance of survey evidence. As the trial will be heard before the full launch of the new "Metrocab" taxi, it is doubtful that any real instances of confusion will come to L's attention before the trial.

Case: The London Taxi Corporation Ltd (t/a as The London Taxi Company) v Frazer-Nash Research Ltd [2015] EWHC 1840 (Ch).

Copyright: private copying exception

Summary

The High Court has quashed the Copyright and Rights in Performances (Personal Copies for Private Use) Regulations 2014 (*SI 2014/2361*) (2014 Regulations).

Background

EU member states may allow the private copying of copyright works provided that there is fair compensation for rights holders (*Article 5(2)(b), Copyright Directive (2001/29/EC)*) (the Directive) (Article 5(2)(b)). However, the Directive provides that compensation is not due where the private copying causes no or minimal harm to rights holders. The UK has implemented Article 5(2)(b).

Following the 2010 Hargreaves review and consultation by the Secretary of State for Business, Innovation & Skills (S), section 28 of the Copyright, Designs and Patents Act 1988 was amended to permit the making of personal copies of copyright works for private use (section 28B) (*www.practicallaw.com/7-506-6394*). Under section 28B, the making of a copy of a work, other than a computer program, by an individual does not infringe copyright in the work provided that the copy is of the individual's own copy of the work, or a personal copy of the work made by the individual. The copy must be made for the individual's private use, and not for commercial purposes.

Facts

R, representing copyright owners, applied for judicial review of section 28B, arguing that it was incompatible with Article 5(2)(b) as it did not provide fair compensation for rights.

The court held that, due to a defect in the process by which evidence was collected and evaluated during the consultation process leading up to the adoption of the 2014 Regulations, the decision to adopt the new private copying exception was unlawful (*www.practicallaw.com/9-617-5348*).

The court then invited R and S to make submissions so that it could determine whether:

- The 2014 Regulations should be quashed and, if so, whether this should have prospective or retrospective effect.
- A reference should be made to the European Court of Justice (ECJ) about the meaning of the concept of "harm".

Decision

The court held that the entirety of the 2014 Regulations and all of the rights and obligations contained within them should be quashed, with prospective effect only.

Quashing the 2014 Regulations would give the government the opportunity to decide whether, and in what form, any further factual enquiries should be carried out and whether a new private copying exception should be introduced.

Future proceedings between a specific right holder and an alleged infringer could raise potentially complex and far-reaching issues, including whether the fact that they relied at the time on section 28B created some kind of estoppel, legitimate expectation or fair use defence in private law. Also, private right holders did not in practice bring proceedings against infringers in this situation and this strengthened the court's conclusion not to address this issue now. An important and unusual characteristic of this case was that a major impetus for change, which had led to the adoption of the 2014 Regulations, was widespread acceptance that the law had fallen into disrepute.

There should be no reference to the ECJ at present because, as the 2014 Regulations had been quashed, the essence of the case had disappeared. The court would be at risk of sending a hypothetical reference to the ECJ and of the ECJ declining to answer the question posed.

However, the court left open the possibility of a reference at some future point in the proceedings by including liberty to apply into the final order. This would avoid the costs and effort of commencing fresh judicial review proceedings if S's ongoing reconsideration crystallised into a dispute between the parties which raised questions as to the meaning of "harm".

Comment

This decision marks a significant reverse for the government. The introduction of a private copying exception had been under debate for many years, and was recommended by both the Gowers and Hargreaves reviews. The clock is now turned back to the unsatisfactory position where private copying will no doubt continue, but will again infringe. It seems unlikely that rights holders will change their previous policy of not, in practice, seeking to enforce their rights in those circumstances, but either way copyright is brought further into disrepute.

The future of the private copying exception in the UK is unlikely to be resolved in the near future. It is unclear whether the government will seek to reintroduce the exception and, if so, whether it will now include a compensation mechanism. The court strongly criticised the government's reasoning in introducing the exception, so if the government does wish to try again then it will likely have to conduct a new impact assessment and evidence-gathering exercise before deciding whether or not a new version of the exception would require a compensation mechanism or instead meets the no or minimal harm test. So it is very unlikely that a new exception will be introduced in the near future.

A further unresolved question is whether rights holders will seek compensation from the government for copies made under the exception to date.

Rights holders and infringers are left with continued uncertainty and with a law that, as the court acknowledged, has fallen into disrepute.

Case: R (British Academy of Songwriters, Composers and Authors and others) v Secretary of State for Business, Innovation and Skills [2015] EWHC 2041 (Admin).

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