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Trade marks: Validity and infringement: online games

Summary

The Court of Appeal has partially upheld an appeal in relation to infringement of SCRABBLE and SCRAMBLE Community trade marks (CTMs) and passing off, and has reversed a finding of invalidity in relation to the SCRAMBLE mark.

Background

The CTM Regulation (207/2009/EC) provides that a CTM owner has the right to prevent unauthorised third parties from using, in the course of trade, any sign:

- Where, because of its similarity to the CTM, and the identity or similarity of the goods or services covered by the CTM and the sign, there exists a likelihood of confusion or association on the part of the public (*Article 9(1)(b)*).
- Which is identical with, or similar to, the CTM, which has a reputation in the EU, and where the use of the sign is without due cause and takes unfair advantage of, or is detrimental to, the distinctive character or repute of the CTM (*Article 9(1)(c)*).

The European Court of Justice has ruled that a trade mark owner's use in a particular colour of a trade mark registered in black and white can be taken into account in the global assessment of likelihood of confusion where the sign complained of is used by the alleged infringer in that particular colour (*Specsavers International Healthcare Ltd and others v Asda Stores Ltd*, www.practicallaw.com/8-539-0047).

The CTM Regulation prohibits the registration of trade marks which, among other things, consist exclusively of signs or indications that:

- May serve, in trade, to designate the kind, quality, quantity, intended purpose, or geographical origin of the goods or services covered by the trade mark application or registration (*Article 7(1)(c)*).
- Have become customary in the current language or in the bona fide and established practices of the trade (*Article 7(1)(d)*).

The Court of Appeal has held that where no reliance was to be placed on a survey, evidence obtained from witnesses who were survey respondents was not admissible, and has laid down new guidelines on the admissibility of survey evidence (*Marks & Spencer Plc v Interflora Inc and another*, www.practicallaw.com/2-523-7850).

Facts

M owned CTMs for the words SCRABBLE and SCRAMBLE, a figurative CTM containing the word “scrabble”, and a UK trade mark consisting of the shape of a SCRABBLE playing tile. These marks covered electronic games. M sued Z for trade mark infringement and passing off in respect of Z's online games called “Scramble” or “Scramble with friends”.

The High Court, upheld by the Court of Appeal, declared that the UK tile trade mark was invalid. The High Court also found infringement and passing off in respect of the CTM for the word mark SCRAMBLE, but held that the CTM was invalid as either descriptive or generic in relation to games similar to “Scramble with friends”. Both parties appealed.

Decision

The court found that M’s SCRAMBLE mark was valid and infringed under Article 9(1)(b). It also held that M’s SCRAMBLE marks were not infringed under Article 9(1)(b) or Article 9(1)(c) because the secondary evidence adduced was not sufficient to justify allowing the appeal. For the same reason there was no passing off.

In relation to the validity of the SCRAMBLE CTM, not every word that alludes to or is suggestive of some aspect of the relevant goods or services will necessarily be unregistrable. Three considerations may determine whether the word falls too far on the side of allusion and descriptiveness to be registrable:

- How factual and objective is the relationship between an indication and the product or one of its characteristics?
- How readily is the message of the indication conveyed?
- How significant or central to the product is the characteristic?

Although there was a degree of descriptive allusion in the mark SCRAMBLE, applying the criteria above, it was not so far toward the descriptive end of the spectrum as to render it unregistrable.

While M’s use of the mark in a particular colour could be taken into account because it affected how the average consumer perceived the trade mark itself, *Specsavers* did not go so far as to allow a trade mark owner to rely on matter extraneous to the registered mark itself but routinely used merely in association with the mark.

There is no minimum threshold of similarity under Article 9(1)(b). Where there is at least some overall similarity between mark and sign then it will be necessary to carry out a global assessment taking account of all relevant circumstances, including any enhanced distinctive character of the mark. As there was a moderate degree of similarity between SCRAMBLE and Scramble, a global assessment of likelihood of confusion should have been carried out.

While the average consumer would not immediately understand Scramble as having a clear descriptive connotation, some loose descriptive allusion may still come across, which reduced to some extent the risk of confusion.

The iTunes reviews and tweets, adduced by M as evidence of actual confusion, had some value as they were unsolicited. Although the full context in which the remarks were made, and their statistical significance, was not known, it was wrong to reject them outright as they did show that the process of downloading an app does not necessarily prevent some form of confusion occurring. Still, they were not sufficient to allow M’s appeal on the finding of non-infringement of its SCRAMBLE marks.

Comment

This decision provides useful and timely guidance on several points of trade mark law. In particular, it sets out a framework for assessing descriptiveness in relation to validity, and clarifies the extent to which a trade mark owner’s use of its mark can be relied on as relevant context when assessing infringement.

The decision also considers the extent to which social media can be relied on as secondary evidence of confusion. This raises interesting issues post-*Interflora* where permission to use surveys to establish likelihood of confusion in trade mark infringement claims is likely to be refused in all but exceptional cases. In proceedings concerning relatively inexpensive or even free products, such as apps, customers are today unlikely to provide feedback through more traditional customer service channels where actual confusion might once have manifested itself, instead choosing to take to social media. Evidence of actual confusion will

become increasingly difficult to find if the courts regularly find that social media material falls short in a similar way to surveys.

Case: W. Spear & Sons Ltd and others v Zynga Inc [2015] EWCA Civ 290.

Copyright: Paywall-circumventing hyperlinks: communications to the public

Summary

The European Court of Justice (ECJ) has ruled that EU member states can legislate to categorise the provision of paywall-circumventing hyperlinks that enable free access to a broadcaster's content as an unlawful communication to the public.

Background

Member states must provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including making their works available to the public in such a way that members of the public may access them from a place and at a time individually chosen by them (*Article 3(1), Copyright Directive (2001/29/EC)*) (Article 3(1)).

Article 3(2) of the Copyright Directive provides other persons with the exclusive right to make their works available to the public by wire or wireless means (Article 3(2)). This includes the right for broadcasting organisations to make their broadcasts available to the public by wire or over the air, for example, by cable or satellite (*Article 3(2)(d), Copyright Directive*) (Article 3(2)(d)).

Member states may give broadcasters the exclusive right not only to rebroadcast their broadcasts by wireless means, but also to communicate them to the public in places accessible to the public on payment of an entrance fee (*Article 8(3), Rental Directive (2006/115)*) (Article 8(3)). However, member states may provide for more far-reaching protection for rights owners than this (*Recital 16, Rental Directive*) (Recital 16).

The Rental Directive provisions on the protection of copyright-related rights leave intact the protection of copyright (*Article 12, Rental Directive*).

Website owners are now free to link to copyright material on third-party websites if the material is freely available and accessible on those other websites (*Svensson and others v Retriever Sverige AB, see News brief "Linking and framing copyright material: guidance at last", www.practicallaw.com/4-558-3665*).

Facts

A pay-TV channel, C, streamed ice hockey games live through its website. S posted hyperlinks on his own website that circumvented C's paywall and enabled those who clicked on them to watch the ice hockey games for free.

C sued S for copyright infringement in the Swedish courts.

The Swedish Supreme Court referred several questions to the ECJ for a preliminary ruling. Following *Svensson*, all questions were withdrawn except: whether member states could give wider protection to the exclusive right of authors by extending "communication to the public" to cover a greater range of acts than provided for under Article 3(2).

Decision

The ECJ held that member states can legislate to extend the exclusive right of broadcasting organisations referred to in Article 3(2)(d) to acts of communication to the public such as broadcasts of sporting fixtures sent out live on the internet, provided that this does not undermine the protection of copyright in that member state.

Communication to the public in Article 3(1) included the concept of making available to the public and referred to interactive on-demand transmissions. This would not include live streaming, as this was not provided on demand.

The Copyright Directive harmonised national laws on copyright and related rights only partly. Although it harmonised the author's right of communication to the public and created legal certainty as to the lawfulness of acts of on-demand transmission, it did not harmonise acts that fell outside the scope of its provisions.

Under Recital 16, member states may give wider protection in respect of the broadcasting and communication to the public of transmissions than for the broadcasters' rights given under the Rental Directive. This includes the exclusive right of broadcasters to give access to broadcasts in return for a fee under Article 8(3)).

It followed that Article 3(2) did not affect the option open to member states, set out in Article 8(3), to widen broadcasters' exclusive right of communication to the public under Article 3(2)(d), if this did not interfere with copyright protection.

Comment

Unlike *Svensson* here the ice hockey games were not freely available, but were instead protected by a paywall. This decision confirms that there is nothing to stop member states legislating to bring the provision of hyperlinks to paywall-protected live streaming within the scope of national legislation implementing Article 3(2)(d).

This decision confirms that broadcasters may prohibit acts of communication to the public in the form of broadcasts of sporting fixtures made live on the internet for payment. It also indicates that member states can widen the scope of the right of communication to the public to acts other than those listed in Article 3(2).

In the UK, the implementation of Article 3 similarly extends beyond the acts set out in Article 3(2). For example, section 20 of the Copyright, Designs and Patents Act 1988 (CDPA) provides that communication to the public is an infringement of a broadcast, and under section 6 (1A) of the CDPA, "broadcast" includes transmissions taking place simultaneously on the internet or concurrent transmissions of a live event.

Questions that were withdrawn in this case remain unanswered and a further reference to the ECJ from the Dutch Supreme Court is currently pending.

Case: *C More Entertainment AB v Linus Sandberg*, C-279/13.

Trade marks: Infringement and revocation: own name defence

Summary

The Court of Appeal has considered infringement and revocation of the ASSOS Community trade mark (CTM) and the ASOS UK trade mark, and the own name defence.

Background

A trade mark owner has the right to prevent unauthorised third parties from using, in the course of trade, any sign:

- Where, because of its similarity to the trade mark, and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion or association on the part of the public (*section 10(2)(b), Trade Marks Act 1994 (TMA)*).
- Which is identical with, or similar to, the trade mark, which has a reputation in the UK, and where the use of the sign is without due cause and takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark (*section 10(3), TMA*).

Similar provisions are set out in Articles 9(1)(b) and (c) of the CTM Regulation (*207/2009/EC*).

A trade mark proprietor cannot rely on the registered mark to prevent the use by a third party of their own name or address, provided that they use it in accordance with honest practices in industrial or commercial matters (the own name defence) (*section 11(2)(a), TMA; Article 12(a), CTM Regulation*). The own name defence has been held to apply also to the use by a company of its own name (*Scandecor Developments v Scandecor Marketing [2001] UKHL 21*).

A trade mark owner's rights will be revoked if, within a continuous period of five years, the trade mark has not been put to genuine use in the Community or UK in connection with the goods or services in respect of which it is registered (*Article 51(1)(a), CTM Regulation; section 46, TMA*).

Facts

Since the 1970s, M operated an international cycling clothing business in Switzerland. In 2006, based on a 2005 Swiss priority application, M registered ASSOS as a CTM for goods in classes including classes 3, 12 and 25, which covered "clothing, footwear and headgear".

Since about 2005, A operated a global online fashion retail company under the brand "Asos"; its former name was "As Seen On Screen". In 2012, A registered ASOS as a UK trade mark.

In 2011, M sued A for trade mark infringement and passing off.

The High Court held that A's use of the "Asos" name did not amount to passing off or trade mark infringement as there was no risk of confusion under Article 9(1)(b) in relation to the type of goods sold by M and no detriment to the reputation of M's ASSOS mark under Article 9(1)(c).

In 2013, the High Court restricted the CTM's class 25 specification to "track-suits, t-shirts, polo shirts, caps, jackets and shorts", which were the specific items on which the CTM had been used, and "specialist clothing for racing cyclists".

In 2014, the High Court held that A's ASOS trade mark was valid but ordered that specialist cycling-related goods and services in classes 3, 25 and 35 should be removed from the CTM registration.

In 2014, the EU General Court held that there was a likelihood of confusion between a proposed CTM for ASOS and M's ASSOS CTM under Article 8(1)(b) of the CTM. A appealed.

The European Court of Justice dismissed the appeal.

Both parties appealed to the Court of Appeal in respect of the three High Court decisions.

Decision

The court held that the ASSOS CTM had been infringed, but that the own name defence applied. It also partially upheld the High Court's decision to restrict the specification of the CTM..

The use of the brand "ASOS" by A created a likelihood of confusion and damaged the distinctive character of the ASSOS registered trade mark. The High Court had wrongly considered the likelihood of confusion with respect to the actual use made of the trade mark by M, and not with the notional and fair use of the mark across the breadth of the specification (even once partially revoked). The key question was whether there was a likelihood of confusion having regard to a notional use of the ASSOS mark on the various items of clothing in ordinary retail outlets and on the internet. The consumer would sometimes be dealing with more expensive items but on other occasions with cheaper items, such as t-shirts. He had to rely upon the imperfect picture of the mark that he had in his mind and had to consider the context in which the ASOS goods were in fact sold. Neither mark had a conceptual meaning to the average consumer: "Asos" was not recognised as an acronym for "As Seen On Screen". The marks were also visually and aurally very similar. Taking into account all the above factors there was a likelihood of confusion.

There was no significant actual confusion, as the parties had been trading clothes through different outlets (one sold in cycling shops, the other sold through an online website), but this did not affect the finding of likelihood of confusion.

Damage to distinctive character was also found. The ability of the mark ASSOS to identify at least some of the goods for which it is registered as being the goods of Assos had in some circumstances amounting to a normal and fair use of that mark been weakened.

The court was divided on the question of the extent to which the trade mark specification should be revoked. The majority held that the High Court had applied the principles properly and was entitled to find that the use that had been made of the ASSOS CTM in relation to track-suits, t-shirts, polo shirts, caps, jackets and shorts was specific and did not justify a specification extending to all casual wear. However, it was held that the registration should be widened to cover specialist clothing for amateur as well as racing cyclists.

The court was also divided on the application of the own name defence. The majority held that A could rely on the own name defence to trade mark infringement. Overall, A had fulfilled its duty to act fairly in relation to M's legitimate interests and had not conducted its business so as unfairly to compete with M. It was relevant that:

- Both parties had adopted their names independently. A had not intended to confuse the public or trade off the goodwill associated with M's business. The name "asos" had been adopted innocently by A as it was an acronym of its previous name "As Seen On Screen".
- Although A had not conducted a trade mark search, if it had done so it would only have shown that M was a business focused on specialist cycling wear.
- There was no significant evidence of actual confusion.
- A had not taken any steps towards M's business model and, instead, had, by the trial, taken steps to make sure that it did not sell cycling inspired fashion wear.

The dissenting opinion held that the own name defence should not be available to A as it had not conducted reasonable checks regarding the existence of trade marks similar to ASOS on identical or similar goods or services. This type of check would be expected under honest practices. A had also expanded its business, including across Europe, and had not taken steps to avoid a likelihood of confusion after becoming aware of the existence of M's CTM. In addition, A had bid for the "assos" keyword after becoming aware of the CTM; adopted the lower case "asos" sign, which was closer to M's lower case CTM; used "asos" on its own-brand goods and failed for a long time to eliminate cycle-related references to its own-brand clothing.

Comment

M intends to seek leave to appeal to the Supreme Court on the application of the own name defence. The length of this decision and the fact that it includes a detailed dissenting opinion reflects the complex issues involved. The decision demonstrates that the failure to conduct any trade mark searches before starting use and investing in a brand may lead to costly and time-consuming litigation. When adopting the brand, A had done a Google search for "asos" but had not conducted any trade mark searches.

Trade mark law reforms adopted by the European Commission, which are currently being considered by the Council of the EU, are likely to provide that the own name defence only applies to natural persons, not companies or trading names. It follows that A would not be able to rely on the own name defence under the proposed new regime.

Case: Maier and another v ASOS Plc and another [2015] EWCA Civ 220.

Trade marks: Genuine use: minimal use of a mark

Summary

The EU General Court has held that test sales amounting to €800 were not enough to demonstrate genuine use of the SMART WATER Community trade mark (CTM) for drinks.

Background

A trade mark registration may be revoked if there has been no genuine use of the mark, either by the proprietor or his licensee, for the first five years following the completion of the registration procedure and there are no proper reasons for non-use (*section 46(1)(a), Trade Marks Act 1994 and Article 51(1)(a), CTM Regulation (207/2009/EC)*) (Article 51(1)(a)).

The European Court of Justice (ECJ) has held that even minimal use of a mark, or use by a single importer in the EU member state concerned, could be enough to establish genuine use provided that it served a real commercial purpose (*La Mer Technology Inc v Laboratories Goemar, www.practicallaw.com/3-200-3854*). The ECJ has also held that, for use to be genuine, it must be consistent with a trade mark's essential function of denoting the origin of the goods and be more than merely token or internal use within the undertaking concerned (*Ansul BV v Ajax Brandbeveliging BV, C-40/01*).

Facts

W applied to register SMART WATER as a CTM for "beverages, namely water with dietary supplements". The mark was assigned to N.

E applied to revoke the mark under Article 51(1)(a) for non-use in relation to all of the goods for which it had been registered.

The Office for Harmonisation in the Internal Market (OHIM) cancellation division revoked the mark. N appealed.

The OHIM Board of Appeal (the Board) dismissed the appeal. It found that the evidence did not establish that the mark had been put to genuine use and that there were no proper reasons for non-use. N appealed.

Decision

The court dismissed the appeal. It upheld the Board's decision that there had not been genuine use of the SMART WATER CTM for drinks under Article 51(1)(a).

The evidential value of the affidavits from N's chief executive and an external consultant was lower than if had they come from third parties.

The court rejected N's argument that the Board had not correctly assessed the evidence of actual sales. As the goods were for mass consumption and the market was of a significant size, a quantity of 15,552 bottles was too small to constitute genuine use. In addition, the total value of transactions involving use of the mark over the relevant five-year period was only €800, a minimal use that could not be regarded as sufficient. N's evidence of advertisements and promotional activities was not proof of imminent marketing as it was at the beginning of the five-year period for assessing genuine use.

The court also rejected N's argument that the Board had been wrong to find that the problems that N encountered in 2007 concerning the manufacture of the drinks and revocation proceedings brought by a third party did not constitute proper reasons for non-use of the CTM. "Proper reasons" means circumstances unconnected with a trade mark owner, rather than ones associated with its commercial difficulties. As for the revocation proceedings brought by a third party, it was up to N to conduct an adequate assessment of its chances of success in the proceedings and to draw the appropriate conclusions from that assessment about whether to continue to use its mark.

Comment

This decision may appear difficult to reconcile with *La Mer* and *Ansul*, which confirmed that there is no *de minimis* rule for genuine use. Minimal use may qualify as genuine use if it is the sort of use appropriate in the relevant market for the particular good and services. In practice, however, the application of the law to the facts may produce very different results depending on the circumstances. Here, a relatively low volume of test sales in the context of the mass market for bottled water was held not to be sufficient. The decision also underlines that genuine use must be proved by credible evidence relating to actual commercial use and it must relate to the relevant five-year period of alleged non-use.

Case: *Naazneen Investments Ltd v OHIM, T-250/13*.

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