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Trade marks: Invalidity of shape mark

Summary

The Court of Appeal has confirmed the invalidity of a three-dimensional chocolate bar trade mark.

Background

A trade mark will be refused registration if it is devoid of distinctive character and the mark has not acquired distinctiveness through use in the marketplace (*section 3(1), Trade Marks Act 1994*) (*section 3(1)*).

Distinctive character can be acquired through use of a trade mark as part of, or in conjunction with, a registered trade mark. It is sufficient to show that, as a result of that use, the relevant class of persons perceived the product, designated exclusively by the mark applied for, as originating from a given undertaking (*Société des Produits Nestlé SA v Mars UK Lt*, www.practicallaw.com/9-201-0682).

The test for assessing whether an inherently non-distinctive mark has acquired distinctive character is whether a significant proportion of the relevant class of persons perceive the goods or services designated exclusively by the mark applied for, as opposed to any other mark which might also be present, as originating from a particular undertaking (*Société des Produits Nestlé SA v Cadbury UK Limited*, www.practicallaw.com/2-619-7155).

Facts

N applied to register in the UK a three-dimensional trade mark in relation to chocolate and other goods in class 30. The mark applied for corresponded to the shape of the well-known four-finger product sold by N under the name KitKat in the UK, except that it lacked the KitKat logo, which was embossed on the actual product.

C argued that the mark lacked distinctive character so that registration was precluded by *section 3(1)*.

The High Court refused to register the shape (www.practicallaw.com/0-623-5021). N appealed, arguing that the mark had acquired distinctive character through use prior to the application date.

Decision

The court dismissed the appeal. The test to be applied in assessing acquired distinctiveness, showing that consumers had come to perceive or rely on the mark as an indication of origin would be sufficient to show acquired distinctiveness, but reliance was not a precondition.

The court considered the concept of the acquisition of distinctive character through use with another registered mark. A perception that the goods designated by the mark originated from a particular undertaking was required to establish acquired distinctiveness. This must be distinguished from recognition or association, where the public did not regard the shape alone as a badge of origin for the products, but

simply regarded the shape as a characteristic of products of that kind or as reminiscent of a familiar product and brand name.

The distinction was significant due to the considerable value of a registration of a three-dimensional shape as a trade mark. It gave the owner an exclusive right to use that shape in relation to the product concerned, without needing to show a likelihood of confusion about the origin of the product to prevent third parties from using an identical shape. But if consumers did not perceive the shape as denoting the origin of the product, no one would actually be confused and the protection afforded by the registration would not be justified.

When assessing whether N had proved that 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, it was legitimate to consider whether that person would rely on the sign as denoting the origin of the goods or services if it were used on its own. If in any case it was shown that consumers have come to rely on the mark as an indication of origin then this would establish that the mark has acquired distinctiveness.

However, where a mark had been used in conjunction with a registered trade mark, so that it was difficult to establish reliance, it did not need to be shown that the public had actually come to rely on the mark in the course of their transactional behaviour. It was sufficient to establish that consumers had come to perceive the product designated by the mark as originating from a particular undertaking.

The overall assessment of the evidence including the results of the survey did not establish distinctiveness of the three-dimensional mark. There was no evidence that the shape of the product had featured in N's promotional and advertising material and the product had only ever been sold in an opaque wrapper. Although at least half the people surveyed thought that the picture shown to them was a KitKat, they might have had in mind a product coming from the same source as KitKat, or a product of the KitKat type, or a product which looked like a KitKat. N had shown recognition and association of the shape with KitKat but had failed to prove that the shape had acquired a distinctive character.

The court used the analogy of a supermarket basket of unwrapped and unmarked chocolate bars in the shape of the mark applied for. The key question was whether the consumer would perceive the bars in the basket as originating from N and not from others. The evidence was that consumers would associate the shape with KitKat, but would not see it as a badge of origin.

Comment

This decision illustrates the difficulty of attempting to register a three-dimensional shape mark as a trade mark, in particular proving acquired distinctiveness of a three-dimensional shape mark when it has been used with another registered trade mark. In these cases, survey evidence may not be enough, and evidence that the public have been educated to understand that the shape was a badge of origin may be required. The court suggested examples of other evidence that could be relied on, including that the shape of the product had featured in the applicant's promotions for the goods for many years before the date of the application.

It will generally be an uphill struggle to secure registration of a three-dimensional shape mark through use with another registered trade mark, because, as noted by the court, once granted, such a mark will give the trade mark owner a monopoly on that shape which may not be justified.

Case: Société Des Produits Nestlé SA v Cadbury UK Ltd EWCA Civ 358.

Patents: Jurisdiction to construe US patent

Summary

The High Court has held that it had jurisdiction to construe the claims of a US patent in a dispute involving a patent licence with an English law and jurisdiction clause.

Background

EU member states have exclusive jurisdiction, regardless of the domicile of the parties, in proceedings concerned with the registration or validity of patents, including any European patent granted for that member state (*Article 24, recast Brussels Regulation (1215/2012/EU)*) (Article 24)).

Where a court of a member state is seised of a claim which is principally concerned with a matter over which the court of another member state has exclusive jurisdiction under Article 24, it must decline jurisdiction (*Article 27, recast Brussel Regulation*) (Article 27).

In *Anan Kasei Co Ltd v Molycorp Chemicals & Oxides (Europe) Ltd*, the High Court had no jurisdiction over a claim for infringement of a German patent, or to order disclosure for German action, as the substance of the dispute involved issues of validity (www.practicallaw.com/5-632-9121).

In a case where validity was not, and could not, be raised, the court could still consider the construction of foreign patents in determining infringement issues (*Actavis UK Ltd v Eli Lilly & Co*, www.practicallaw.com/4-572-1394).

The English court has no jurisdiction over an action to determine the title to, or the right to possession of, foreign land, or the recovery of damages for trespass to that land (*British South Africa Co v Companhia de Moçambique [1893] AC 602 HL*) (the Moçambique rule).

Exceptions to the Moçambique rule include the contractual exception. For example, the Supreme Court has held that foreign intellectual property rights (IPR) could be enforced in the English court, where validity was not challenged, and there was no policy issue preventing enforcement of foreign copyrights (*Lucasfilm Ltd v Ainsworth [2011] UKSC 39*).

Facts

C applied for a declaration against U that it was not obliged to continue to pay royalties under a patent licence granted by U for patents relating to C's products. The only patent to which the licence applied was a US patent (the patent). C claimed that its products, manufactured and sold in the USA, fell outside the scope of the claims of the patent.

U applied to strike out those parts of C's pleading which raised issues of invalidity, on the ground that the English court had no power to determine the validity of a foreign patent.

Decision

The court dismissed U's application. It held that it had jurisdiction to deal with the issues raised in C's complaint.

As in *Actavis*, C did not claim that the patent was invalid, merely that its claim construction was correct. C argued if its construction was correct, this would lead to a finding that its product fell outside the scope of the claims of the patent, and therefore no royalties were payable under the licence. It was not asking the English court to conclude that the patent was invalid, merely that U's construction ought to be rejected.

Under the licence, U and C agreed to submit generally to the exclusive jurisdiction of the English courts. This meant that they had submitted to the jurisdiction of the English courts all disputes under or in connection with the licence, unless the licence terms indicated to the contrary. Exclusive jurisdiction clauses are to be interpreted widely, as commercial parties were likely to have intended their disputes to be resolved in a single forum.

The parties had agreed that revocation or similar claims for invalidity must be determined by the courts of the state of protection, but the licence did not otherwise limit the broad scope of the jurisdiction clause, which included disputes as to scope of claims.

The court rejected U's argument that issues of infringement and validity were inseparable, and that since validity of a foreign patent was not justiciable in the UK, clauses in patent licences which gave exclusive

jurisdiction over infringement of foreign patents to the English court would generally be unenforceable. Given the importance of such clauses in patent licences, the terms agreed by the parties in the licence were important.

Following *Lucasfilm* and *Actavis*, the *Mozambique* rule did not apply here. C's case was limited to a dispute about the scope of the claims of the patent, and only referred to validity in support of its construction of those claims. So the dispute was not principally concerned with the question of validity. C's case was a contractual claim for a declaration that no royalties were due under the licence because its product was not one that fell within the scope of a claim of the patent, irrespective of its validity. Since the parties had agreed that the scope of the licensed patents ought to be determined by the English court, it was not an affront to comity to give effect to that agreement, and it fell within the contractual exception to the *Mozambique* rule.

The UK courts must respect the sovereignty of other states but this did not prevent an action for infringement of foreign IPR, even if the validity of a grant was in issue. Any party might challenge the validity of the patent in court proceedings, which was different from an attempt to challenge legislation or government acts.

Comment

This decision confirms that exclusive jurisdiction clauses providing for the determination of disputes relating to the infringement of foreign IPR, or, as here, to determine the scope of those rights for example under a patent licence, will in principle be enforceable in the English courts, provided that there is no direct challenge to the validity of the right in question. The court also drew a clear distinction between disputes relating to construction of patent claims and disputes seeking to challenge the patent's validity. If the court had held that C was seeking to invalidate the patent in the English court that would have been contrary to the licence under which the parties agreed that the validity of patents should be decided by the courts where they were granted. In any event a declaration or finding of invalidity would not affect the obligation to pay royalties, which would remain until the US courts held that the patent was invalid.

The court's obiter comments that direct challenges to the validity of foreign patents would not be justiciable could indicate that the courts are likely to apply the same rules to non-EU patents as currently apply to EU patents under the Brussels I regulation, which may become more relevant depending on the outcome of the Brexit negotiations.

Case: Chugai Pharmaceutical Co Ltd v UCB Pharma SA [2017] EWHC 1216 (Pat).

Trade marks: Invalidity of colour mark

Summary

The Court of Appeal has confirmed that a combination colour mark for inhalers was invalid as it was not graphically represented.

Background

Article 4 of the EU Trade Mark Regulation (207/2009/EC) (Article 4) provides that an EU trade mark (EUTM) must be capable of being represented graphically.

The European Court of Justice (ECJ) has held that a graphical representation of a colour combination in a trade mark application consisting of two or more colours, designated in the abstract without contours, must be systematically arranged by associating the colours in a pre-determined and uniform way (*Heidelberger Bauchemie GmbH C-49/02*).

A two-colour combination sign where the graphic representation is of two blocks of colour (blue and silver) in rectangular form, and the description states that the colours are applied in approximately equal proportion and juxtaposed, is currently pending before the EU General Court (*Red Bull GmbH v Optimum Mark Sp. z.o.o.*).

Facts

G sued S for infringement of its registered mark. The mark was described in the registration as consisting of a specific dark purple applied to a significant proportion of an inhaler, and a specific light purple applied to the remainder of the inhaler and it was accompanied by a colour photograph showing those colours as applied to an actual inhaler.

S applied for summary judgment seeking a declaration that the mark was invalid as it failed to satisfy Article 4.

The High Court ordered summary judgment. G appealed.

Decision

The court dismissed the appeal. It held that the mark lacked the clarity, intelligibility, precision, specificity and accessibility that the law demanded and that the registration was therefore invalid. It also held that the case had been a suitable one for summary judgment.

For marks designated as colour marks there was no case law to suggest that the pictorial representation took precedence over the verbal description. The description was particularly important for these marks as it could help to make the scope of the mark clear and precise. The representation and the description had to be considered as a whole. Although under Rule 3(2) of the EU Trade Mark Rules a verbal description was non-mandatory, this merely reflected the fact that it would not always be necessary to include one. Arguments relating to the content of the EU Intellectual Property Office's guidelines for examination of EUTMs were dismissed as they had no legislative force.

The court considered three possible interpretations of the mark and found that none of them satisfied the applicable test of clarity, intelligibility, precision, specificity and accessibility. The least bad of the three interpretations was that the mark consisted of any proportions of the two colours falling within the verbal description, with the pictorial illustration being merely an illustration of one form the mark might take. This reconciled the pictorial representation, verbal description and Internationally agreed Numbers for the Identification of bibliographic Data code, which indicated that the mark was a "colour per se" mark. However, there were still various ways of interpreting the information contained in the registration, and this led not only to ambiguity but also to unfairness since it widened the possible scope of protection and gave the proprietor an unfair competitive advantage.

ECJ case law was clear on the relevant points so it was not appropriate to request a preliminary ruling. The central issue in *Red Bull* was different: whether the two colour swatch with side-by-side colours should be interpreted as defining not only the colours but also the shapes and positions in which they appear.

Comment

The key message here is that ambiguities as to interpretation of colour marks, which would leave the public and other traders puzzled, will clearly not be perceived uniformly or unambiguously by all. The boundaries of registered trade mark protection must be clearly delineated for the purposes of deciding oppositions as well as infringements.

The law relating to the representation of marks in EUTM applications and registrations will change from 1 October 2017, when the requirement for graphical representation will become merely a requirement for representation in some form. However, the new wording of Article 4 will expressly require that marks can be represented on the register in a manner which enables the authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor. So, as the court noted, the authorities and the public including competitors of the trade mark proprietor will still have to be able to identify the sign clearly and precisely under the revised EUTM Regulation.

Case: Glaxo Wellcome UK Ltd v Sandoz Ltd [2017] EWCA Civ 335.

Trade marks: Meaning of establishment

Summary

The European Court of Justice (ECJ) has ruled on the meaning of establishment within Article 97(1) of the EU Trade Mark Regulation (207/2009/EC) (Article 97(1)) for the purposes of bringing infringement proceedings.

Background

Under Article 97(1) and the recast Brussels Regulation (1215/2012/EU), EUTM infringement proceedings must be brought in the courts of the EU member state in which the defendant is domiciled or, if they are not domiciled in any of the member states, in which they have an establishment.

Facts

H sued NI in Germany for infringement of its international trade mark with effect in the EU in relation to the sale of sports clothing. NI was the ultimate holding company of the N group and had its seat in the US. ND had its seat in Germany and was not a party to the proceedings. However, it was a second-tier subsidiary of NI and provided pre- and post-sale services.

The German court requested a preliminary ruling from the ECJ on the meaning of establishment within Article 97(1).

Decision

The ECJ ruled that under Article 97(1), a legally distinct second-tier subsidiary, with its seat in a member state, of a parent body that had no seat in the EU was an establishment of the parent body if the subsidiary was a centre of operations that, in the member state where it was located, had a certain real and stable presence from which commercial activity was pursued, and had the appearance of permanency to the outside world, such as an extension of the parent body.

Article 97(1) must be interpreted broadly. Following a broad interpretation, there must be visible signs enabling the existence of an establishment within the meaning of Article 97(1) to be easily recognised. Therefore the existence of an establishment required a real and stable presence, from which commercial activity was pursued, as shown by the presence of personnel and material equipment.

Generally, it was irrelevant whether the establishment in the territory of a member state of an undertaking whose seat was outside the EU had legal personality or not.

Third parties must be able to rely on the appearance created by an establishment acting as an extension of the parent body.

In principle, it was irrelevant for the purposes of Article 97(1) whether the establishment had participated in the alleged infringement. Any such requirement would not be reconcilable with the broad interpretation of establishment set out above.

Comment

Since many large non-EU corporations have legally independent first or second-tier subsidiaries within the EU, the ECJ's ruling has implications for EUTM rights-holders seeking to pursue infringers whose ultimate holding companies lie outside the EU. The ruling limits the obstacles that those EUTM rights-holders must overcome when pursuing an infringer whose ultimate holding company lies outside the EU, provided that the entity fulfils certain minimum requirements to qualify as an establishment.

Case: Hummel Holding A/S v Nike Inc and another C-617/15.



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