Scope of trade mark protection: what have the English Courts done after L’Oréal v Bellure?

OVERVIEW
Following the Court of Justice’s ruling last year in the case of L’Oréal SA & others v Bellure NV & others, the English Courts have had several opportunities to consider the direction in which the ECJ has pointed the law, with interesting results.

The L’Oréal case returned to the Court of Appeal for judgment on those issues on which the English court had sought clarification. The case involved trade mark infringement and comparative advertising claims in relation to imitation perfumes and the use of registered trade marks in comparison lists.

The Court of Appeal has reluctantly applied the Court of Justice’s ruling, holding that Bellure’s use of L’Oréal’s trade marks in its comparison lists amounted to an infringement under Art. 5(1)(a) and Art. 5(2) of the Trade Marks Directive (89/104/EEC, now replaced and repealed by Directive 2008/95/EC) (“TMD”). However, the Court voiced strong criticism of the ECJ’s ruling stating that it restricted free and honest speech, freedom to trade and that it produced anti-competitive effects.

The Court of Appeal’s analysis of the Court of Justice’s judgment provides an interesting insight into how the English judiciary regard the direction in which the Court of Justice is taking trade mark law and lays bare the tensions which exist between the English and European approaches.

While the judgment is strongly worded and directed at facts concerning lookalike products, it is also significant as an early judicial indication of how the case might be applied to different facts. Many trade mark owners of course have disputes with other trade mark owners over marks that have been independently developed. The reluctance of the Court of Appeal to extend the scope of infringement might be more welcome in those circumstances.

The English Courts have already looked at two such cases (Whirlpool Corporation v Kenwood Limited [2009] EWCA Civ 753 and Specsavers International Healthcare Ltd & others v Asda Stores Ltd [2010] EWHC 2035 (Ch)). In Whirlpool they found no infringement, relying heavily on the fact that Kenwood had its own mark and reputation and no need to take advantage of Whirlpool’s mark. In Specsavers, in contrast, the Court found that Asda was infringing by “standing on the shoulders” of Specsavers. In both cases, a key issue was whether there was an intention to take advantage of the other party’s mark.

L’ORÉAL: THE FACTS
L’Oréal produces and sells luxury perfumes. These include the well-known “Trésor”, “Miracle”, “Noa” and “Anais Anais” brands, for which L’Oréal owns a number of registered UK and Community trade marks for the names and certain aspects of their packaging.

The Defendants produced perfumes which they sold in supermarkets, discount stores, markets and online in the UK which had been commissioned to smell like L’Oréal’s perfumes and although their appearance was not identical, it was admitted by the Defendants that their “smell-alike” products were intended to give “a wink of an eye” to the L’Oréal products. In addition, the Defendants used comparison lists, which were provided to retailers showing the names of the L’Oréal products against those of the Defendants that were “smell-alikes”.

L’Oréal alleged that: (i) use of their trade marks in the comparison lists amounted to an infringement under Art. 5(1)(a) TMD (identical mark/identical goods) and that (ii) use of “allusive” bottles and packaging took unfair advantage of the distinctive character and repute of L’Oréal’s registered packaging marks and amounted to infringement under Art. 5(2) TMD.

The Defendants sought to rely on the rules relating to lawful comparative advertising as a defence, on the basis that smells were difficult to describe so that using the name of one perfume to describe the smell of another was legitimate and that no unfair advantage was being taken. Under the Comparative Advertising Directive (Directive 84/450/EEC as amended by Directive 97/55/EC) (“CAD”) a comparative advertisement is permissible, if among other things, it: (i) is not misleading; (ii) does not create confusion in the
marketplace between the two competitors or their goods, services or trade marks; (iii) does not discredit or denigrate the goods, services or trade marks of the competitor; (iv) does not take unfair advantage of the reputation of the competitor’s trade mark; (v) does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name.

HIGH COURT AND COURT OF APPEAL REFERENCE
In the High Court Neuberger J held that the use of L’Oréal’s marks in comparison lists amounted to infringement under Art. 5(1)(a) of the TMD and that some of the Defendants’ packaging had infringed Art. 5(2). The Defendants appealed to the Court of Appeal which referred a series of questions to the ECJ. These included:

• whether descriptive use of a trade mark where that use refers to characteristics of a product and does not jeopardise the essential function of the mark to indicate origin of the goods or services, falls within Art. 5(1)(a) or (b) TMD;
• clarification on the CAD conditions of not taking unfair advantage (Art. 3a(1)(g)) and not presenting goods or services as imitation or replicas (Art. 3a(1)(h));
• the factors which amount to the taking of an “unfair advantage” of the reputation of a registered mark under Art. 5(2).

Jacob LJ gave the leading judgment in the Court of Appeal. Although he found the law on the these matters to be unclear, he gave a clear indication of how he considered these questions should be answered. In relation to the position under CAD, his view was that even where there is an element of “free riding” with comparison lists, they should be lawful and European law should not be “overprotective. Further, in relation to Art. 5(2) infringement and what constitutes “unfair advantage”, he considered that where (as in this case) there is no harm to a trade mark owner, then there is no reason to say that that use is “unfair”.

THE ECJ’S DECISION
The ECJ took a different approach in its judgment in June last year.

It ruled that:

• unfair advantage is taken where a third party seeks through the use of a well-known mark to ride on its coat tails in order to benefit from its power of attraction, reputation and prestige and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the well-known mark in order to create and maintain its image (such as quality, communication, investment and advertising);
• the proprietor of a registered trade mark may prevent the use by a third party of identical marks in relation to identical goods or services, even where such use is not capable of jeopardising the essential function of the mark, which is to indicate the origin of the goods or services, provided that such use affects or is liable to affect one of the other functions of the mark;
• an advertiser is prevented from stating explicitly or implicitly in comparative advertising that his product or service is an imitation or replica of a product bearing a well-known trade mark; and
• the advantage gained by the advertiser as a result of such unlawful comparative advertising must be considered as taking unfair advantage of the reputation of that mark.

COURT OF APPEAL REACTION
The case returned to the Court of Appeal in March of this year to enable the national court to apply the law as found by the ECJ to the facts.

On the basis of the ECJ’s ruling, the Court of Appeal held that the use by Bellure in its comparison lists of L’Oréal’s registered trade marks amounted to an infringement of L’Oréal’s trade marks under Art. 5(1)(a) and Art. 5(2) TMD (a new claim which L’Oréal had introduced in the Court of Appeal).

The Court was, however, regretful about reaching this outcome. Jacob LJ who gave the leading judgment stated that “he did not agree with or welcome this conclusion”, but that it was his duty to apply it.

General criticisms of the ECJ’s ruling
Jacob LJ’s key objections were:

• it had the effect of preventing the defendants from telling the truth. Jacob LJ pointed out that even though it is lawful to make and sell a smell-alike perfume, the ECJ’s judgment renders use of a third party’s trade marks to describe the smell-alike product unlawful. Further, by preventing this activity, consumers who could not afford to buy the L’Oréal product, would...
suffer as they are denied the right to receive information on the smell-alike products. In any event, no harm would be caused to the trade mark owner. Jacob LJ found this regrettable, stating that his "own strong predilection, free from the opinion of the ECJ would be to hold that trade mark law did not prevent traders from making honest statements about their products where those products are themselves lawful" as he was in favour of free speech, particularly where someone wishes to tell the truth.

- The ECJ’s ruling restricted freedom to trade. In his previous judgment, Jacob LJ noted that comparison lists were used widely in other industries (e.g. by generic drug companies, dealers in generic spare parts and so on). They are used to promote the trader’s product which does, of course, represent a form of "free riding" but this is far from being something which should necessarily be prevented. Rather, it is an inevitable factor where there is proper competition and free and lawful trade.

- Free-riding takes many forms. It ranges from clear-cut counterfeiting to cases such as this where the trader is not in competition with the trade mark owner and the trader’s use of the mark does not impinge on the trade mark owner’s trade. This use may or may not have an adverse effect on the repute or distinctiveness of the mark. However, Jacob LJ thought it unhelpful to put all cases in the one category: the challenge was to find the right balance between permissible and impermissible “free riding”.

Furthermore, there needed to be clear guidance from the ECJ on the competition aspects of what it terms “riding on the coattails”. This description of what constitutes unfair advantage conveyed a disapproving message of the defendants’ activities and the ECJ’s judgment did not provide clarity for traders on what they can and cannot do.

- Returning to a theme from his first judgment, Jacob LJ was of the view that the ECJ decision showed that the EU took a more “protective” approach to trade mark law than other major trading areas.

- Notwithstanding the view of the Court of Appeal, however, there is scope for debate about whether as a matter of fact the smell-alike claim was really “telling the truth” about the products - and as to what degree it is “fair” to derive an advantage from the mark of another trader.

**FUNCTIONS OF A TRADE MARK**

The ECJ had said that in Art. 5(1)(a) cases, where the defendant claims that his use is descriptive so as to take him outside this head of infringement, he will only succeed if the use is “for purely descriptive purposes”. Jacob LJ suggested that this would be the case here. However, the ECJ also required a national court to consider whether the functions, other than the essential function of the mark – i.e. communication, investment and advertising – were liable to be affected, even where the use was not capable of adversely affecting the essential function to guarantee origin.

Jacob LJ questioned the widening of this form of infringement. The functions of communication, investment and advertising were, he considered, “vague and ill-defined” and he noted that there was nothing in the legislation about them.

As the ECJ had stated that this type of use went beyond being purely descriptive because it is used for advertising, Jacob LJ was bound to reach the conclusion that there was Art. 5(1)(a) infringement. However, he considered that a “clearer direct route” should have been taken – i.e. to say that this was a case of identical mark/identical goods and that infringement can be avoided only if the Art. 6(1)(b) defence applies (a trade mark owner may not stop a third party from using in the course of trade “indications concerning the kind, quality, quantity, intended purpose…or other characteristics of goods or services”).

**COMPARATIVE ADVERTISING**

Jacob LJ criticised the ECJ for failing to consider conditions (g) (unfair advantage) and (h) (imitations or replicas) of Art. 3a(1) of the Comparative Advertising Directive (97/55/EC) separately. He also noted that the ECJ had departed from its own principle that the CAD conditions must be interpreted in the most favourable way to it by giving condition (h) a wide meaning in relation to “imitations or replicas” so as to catch the defendants’ lists. He could find no basis for the ECJ reaching this conclusion, asking if a trader deals in lawful replicas or copies why he should not be able to inform the public of what they are. He urged that if there is to be reform of the law in this area, this aspect of CAD be reconsidered. Furthermore, it should be made clear that telling the truth about a lawful product does not involve any unfair advantage.

**COMMENT**

Whilst the Court of Justice’s decision in L’Oréal was perceived to be of good news for owners of well-known trade marks, it is clear that the English judiciary has serious
concerns over its wider implications. That is of some concern to those seeking to enforce their rights but a note of caution may be helpful given that trade mark owners can also be on the defence in trade mark infringement actions involving other trade mark owners, as was the case in Whirlpool and Specsavers.

Prior to the Court of Appeal decision in L’Oréal, the Court of Appeal had applied the ECJ decision in relation to reputation based infringement in Whirlpool Corporation v Kenwood Limited.

Whirlpool brought an action against Kenwood claiming inter alia that Kenwood’s kMix foodmixer took unfair advantage of Whirlpool’s trade mark for the Kitchen Aid “Artisan” mixer. The Court of Appeal rejected the suggestion that any advantage flowing from the use of the mark would be unfair: there must be an added factor of some kind for that advantage to be categorised as unfair which it suggested might be an intention to take that advantage. The Court found that no advantage had been taken of the mark and certainly no unfair advantage, even though the Kenwood mixer had been designed with reference to the Artisan mixer. Further, it distinguished the case from L’Oréal, noting that Kenwood had its own established goodwill and did not need to ride on Kitchen Aid’s coattails so as to save itself from making promotional efforts in relation to its new product.

However, that does not mean that such a case could never succeed but each will be heavily dependent on its own facts. In the recent case Specsavers v Asda Stores Ltd, the High Court expressly dismissed the notion that unfair advantage can not be found in a case involving two companies with well-known brands, although the facts were quite different to those in Whirlpool.

The case concerned a claim brought by Specsavers against Asda’s use of straplines including “Be a real spec saver at Asda”, “and a logo made up of two oval shapes with the words “ASDA Opticians” in its marketing campaign to launch its in-store and online opticians business. Having found the requisite link between Specsavers’ marks and the first strapline, Mann J, relying on Whirlpool, stressed that something more than a mere advantage is required, and that it must be an unfair advantage. He noted that in Whirlpool the added factor which made the advantage unfair was intention and Mann J found that this was clearly present in the Specsavers case. Although the message was in large part a comparison, Asda could not show that it was not building on Specsavers’ reputation in an unfair way or, to put in Mann J’s words, was “standing on [Specsavers] shoulders”.

Intention was also considered in relation to the logo, but this time in connection with establishing a link between the marks. Mann J considered that the evidence in the case which showed that Asda’s designers were “living dangerously” (i.e. in trying to get as close to the Specsavers marks as they could without crossing the line), showed that the designers thought the Asda logo would nevertheless have some resonance with Specsavers and this was capable of amounting to a “bringing to mind”. The link was, however, very weak and on the facts, the link was heavily countered by the use of Asda branding on the logo and so unfair advantage was not found.

The Court of Appeal in Whirlpool also commented that it may be that, in a case in which advantage can be proved, the unfairness of that advantage can be demonstrated by something other than intention but it is for the claimant to plead and prove what it is that, on a global assessment, “corrupts” the advantage to render it unfair.

In practice it is difficult to think of an indicator of unfairness other than intention to take advantage, though the prospect of the introduction of an investigation into intention in trade mark cases is not attractive.

Whirlpool and Specsavers demonstrate how significantly the outcome is affected by the particular facts of the case, and consequently the scope which national courts have to introduce their own standards. Despite the fact that the Court of Appeal in L’Oréal felt its hands were tied in concluding that the comparison lists were infringing, there are a number of issues on which the national courts have considerable freedom to set boundaries in different factual situations. These include the global assessment test for finding unfair advantage, the relative strength of the marks involved and the likelihood of dilution or tarnishment or unfair advantage.

As regards comparative advertising, since L’Oréal, its scope has been significantly restricted, in particular in its application in relation to goods or services that could be viewed as imitations or replicas due to their essential characteristic (e.g. supermarket look alikes). However, it is likely that this area will be revisited by the ECJ in an attempt to promote the objective of comparative advertising to stimulate competition between suppliers of goods or services to the consumer’s advantage. Indeed, this is an area of law which Jacob LJ in the L’Oréal judgment urged should be the subject of reform.

Further, at the request of the EU Commission, the trade mark system in Europe is currently under review by the Max Planck Institute. The results of the study are expected later this year. L’Oréal and others v Bellure NV and others, Case C-487/07 (Court of Justice judgment); [2010] EWCA Civ 535 (Court of Appeal judgment).