Welcome to our Annual Review of developments relating to trade marks, copyright and designs during 2019. We have selected a number of the reports that we have published over the course of the last 12 months, commenting on issues ranging from the latest guidance on the boundaries of trade marks and designs through to a number of interesting questions on copyright protection in the light of developing technology and business models. This year’s Review mentions a couple of cases in which we acted, including in a website blocking action for Nintendo in relation to sites selling devices seeking to circumvent encryption measures, and an important case for Sky in the European Court of Justice relating to trade marks.

We also include a brief update on the Brexit position. Now that the Withdrawal Agreement has been ratified and the UK has left the EU, we enter the transition period. During this period, which will end on 31 December 2020 (unless it is extended, albeit the UK Government has said this will not happen), the status quo will be preserved. There will therefore during the transition period be no change in how IP rights will be protected and enforced and, more specifically, EU Trade Marks and Designs will continue during the transition period to extend to the UK.

Over the course of 2020, the EU27 and the UK will be able to discuss the nature of their future relationship - including that of trade. However, it has already been agreed that EU Trade Marks and Designs will be preserved in the UK as an equivalent UK right. We will continue to act before the EU Intellectual Property Office during the transition period. Further, as part of our Brexit preparations, we have set up Mishcon de Reya IP B.V., a trade mark practice based in The Netherlands. Mishcon de Reya IP B.V. is a wholly owned subsidiary of Mishcon de Reya LLP and will allow us to ensure continued representation in relation to EU Trade Mark and Design matters before the EUIPO following the end of the transition period.

I would also like to take this opportunity to congratulate Daniel Avener and his team at MDR Brand Management, which celebrated its first year anniversary in October 2019. In its first year, it has announced a number of high-profile partnerships comprising brand extension and franchise developments for leading brands, with more exciting news to come.

I hope you enjoy reading the Annual Review. Please get in touch if you have comments or queries on any of the topics raised.

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Trade Marks

Compared to previous years, trade mark law and practice in 2019 focussed to a much lesser extent on questions of infringement and enforcement. Instead, the key cases raised questions relating to clarity and precision of trade mark specifications (and whether this can be a ground of invalidity of a registered mark), and alleged bad faith during the trade mark application process. The decision of the Court of Justice of the European Union (CJEU) in the SkyKick case has provided welcome guidance on these issues. Further guidance can be expected in due course from the EU General Court in relation to so-called ‘ever-greening’ of trade marks, on Hasbro’s appeal from the EUIPO Board of Appeal finding of invalidity against a re-filed MONOPOLY trade mark. Alongside this, there have been a number of decisions confirming once more the difficulties in maintaining protection for non-traditional marks, and some notes of caution in relation to appropriate evidence for brand owners seeking to maintain their registrations against a non-use attack.

Court of Justice decision on trade mark specifications

On 29 January 2020, the CJEU issued its decision in Sky v SkyKick, providing important guidance on the grounds available to an applicant seeking to challenge a trade mark registration, especially where it includes general terms such as “computer software” and “financial services”. In April 2018, Mr Justice Arnold (as he then was) had referred questions to the CJEU on a number of issues, upon which the CJEU has decided as follows:

— It is not possible to challenge a registered EU or national trade mark for lack of clarity or precision. The CJEU held that the grounds for challenging a trade mark registration are exhaustively set out in the EU Trade Mark Regulation (which governs EU trade marks) and the EU Trade Marks Directive (which governs trade mark law at the Member State level), and they do not include “lack of clarity and precision”. Accordingly, it is not open to applicants challenging trade mark registrations to argue that general terms such as “computer software” or “financial services” lack clarity and precision. Rather, such a challenge is the preserve of the relevant trade mark office during the examination of an application. In reaching this conclusion the CJEU expressly rejected the Advocate-General’s suggestion that a trade mark registration covering goods or services which lack clarity and precision can be challenged as being contrary to public policy (contrary to public policy being a ground of invalidity – the relevant provision in the Trade Mark Regulation is Art. 7(1)(f)). As the CJEU noted: “…the concept of ‘public policy’…cannot be construed as relating to characteristics concerning the trade mark application itself, such as the clarity and precision of the terms used to designate the goods or services covered by that registration, regardless of the characteristics of the sign for which the registration as a trade mark is sought.”

— The CJEU made clear that there is no per se rule that a lack of intention to use amounts to bad faith. Rather, bad faith may be established only where there is “objective, relevant and consistent indicia” which tends to show that the applicant intended, when filing its application, to undermine, in a manner inconsistent with honest practices, third parties’ interests or to obtain, without targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark. Whilst this will require a consideration of the facts in any given case, the CJEU did confirm that an applicant is not acting in bad faith simply because it had no economic activity corresponding to the goods or services applied for at the time of filing the application.

— Importantly, the CJEU went on to determine (consistent with the express language of the Regulation and the Directive) that where bad faith is established it will apply only to those goods or services to which the finding of bad faith attaches, not all goods and services of the mark.

— The CJEU confirmed that the requirement in the UK that an applicant must declare that it is using or has a bona fide intention to use the applied for mark on the goods and services of the application is not contrary to EU law. However, the CJEU went on to hold that infringement of such a declaration would not, of itself, constitute a ground for invalidity; rather it was a factor the tribunal may take into account when considering whether the applicant acted in bad faith.

The decision of the CJEU will now be applied when the case returns to the High Court.

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No ‘Monopoly’ rights for re-filed trade marks

An EUIPO Board of Appeal decision has the potential to impact the validity of countless EU, and EU national, trade marks, following what we understand to be only its third oral hearing in 23 years underlining the significance of this case. The decision concerns the practice of “re-filing” (or “ever-greening”) a trade mark which is identical to an earlier registration and covers identical goods/services. The Board said that, where there is an intention to circumvent the obligation to prove use of the earlier marks, re-filing improperly and fraudulently extends the five-year grace period and amounts to bad faith. Any such re-filed marks are liable to be revoked in relation to the goods and/or services covered by the earlier marks.

Hasbro has appealed the decision to the EU General Court. It will be interesting to see how the General Court considers the bad faith issues raised in this case in light of the CJEU case law as now established in Koton and SkyKick.

The case concerns an invalidity challenge against Hasbro’s famous MONOPOLY EU trade mark (the “Registration”). Hasbro had opposed a third party application for DRINKOPOLY on the basis of its earlier rights, prompting a cancellation action against the Registration. The Registration is identical to earlier MONOPOLY registrations owned by Hasbro and covers identical goods and services to those earlier marks (although it also covers additional goods and services). It was argued that the Registration had been filed with the dishonest intention of preventing third parties from using or registering similar marks, while avoiding the obligation to provide proof of use in opposition proceedings, and had therefore been filed in bad faith.

The Board of Appeal acknowledged that Hasbro took a number of commercial factors into account when filing a trade mark application, such as new licensing opportunities, the desire to maintain a consistent and up-to-date trade mark portfolio and the need to address any gaps in protection due to new products or services. However, Hasbro also acknowledged that there is a benefit in having “young” trade marks where there is no requirement to prove use, and that this is “a consideration” in its trade mark filing strategy. This acknowledgement, notwithstanding its submission that this is common industry practice, seems to have been fatal to Hasbro’s argument.

Lessons from Red Bull’s colour combination trade mark

In the final instalment of Red Bull’s long-standing efforts to register its combination of the colours blue and silver as a trade mark for “energy drinks”, the CJEU upheld the General Court’s finding that the trade mark (depicted below) was not valid because it lacks sufficient clarity and precision, dismissing Red Bull’s appeal. Red Bull’s two EU trade mark registrations for its blue and silver colour combination included the descriptions “The ratio of the colours is approximately 50%-50%” and that the colours were to be “applied in equal proportion and juxtaposed” to each other.

The decision confirms a high bar for protection of colour combination marks, which often form an important part of a brand strategy. In particular, brand owners who seek to register a colour combination as a trade mark should ensure any description and representation conveys a predetermined and uniform arrangement to stand a chance at maintaining a validly registered EU trade mark.

When seeking to register a colour combination as a trade mark, it is advisable to refer to the Pantone colour ID and to consider including a description which communicates the clear and precise arrangement of the colours as intended to be used. Creating a description that is sufficiently clear and precise may mean that the colour combination trade mark is narrow in its scope of protection, but this may be preferable to obtaining no protection at all. Whilst a description remains optional, in some cases, omitting a description will not serve to make the arrangement of colours more clear and precise.

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EU General Court finds Rubik’s Cube Shape Trade Mark invalid

In a dispute spanning thirteen years, is this now the final twist for the Rubik’s Cube shape trade mark? In 2016, the CJEU confirmed the approach to take in relation to an objection against registration of a shape mark on the basis that the essential characteristics of the shape are necessary to obtain the technical result of a product. In 2019, the General Court upheld a decision that the Rubik’s Cube trade mark registration (depicted below) is invalid.

The ruling is the latest to illustrate the considerable difficulty in obtaining or maintaining trade mark protection for shape marks, particularly where they have a technical function. However, the arguably inconsistent application of the law makes the position uncertain. For example, whilst Lego’s EUTM for its studded brick fell foul of the technical result exclusion (because the brick achieved the technical result of stacking bricks), its EUTM for its mini figurines (with features which enable interlocking with other Lego products, such as bricks) did not.

In 1996, Seven Towns had applied to register the shape of the Rubik’s Cube as an EUTM for “three dimensional puzzles” in class 28. In 2006, Simba Toys filed an application for a declaration of invalidity against the EUTM on a number of grounds. In particular, it argued that the mark consisted exclusively of the shape of the goods which is necessary to achieve a technical result (contrary to Article 7(1)(e) (i) of the EU Trade Mark Regulation).

In 2016, the CJEU stated that it is “necessary to take into account the technical function of the actual goods represented by the sign in order to examine the functionality of the essential characteristics”. In particular, when examining functional characteristics, it is necessary to look at the mark as represented graphically, but the analysis can go beyond that to consider circumstances and materials other than the graphical representation of the mark, such as the rotating capability of the Rubik’s Cube puzzle.

The matter returned to the EUIPO Board of Appeal, which found the mark invalid and the General Court has now upheld the finding of invalidity. In particular, it concluded that the objection may apply where the graphical representation does not reveal all of the elements of the shape which are necessary to implement the technical solution, provided that implementation of the technical solution cannot be effective without the essential characteristics which are visible in the representation. Any other finding would mean that the technical result objection could be easily circumvented; as an applicant could simply omit from the graphical representation a characteristic which is necessary to achieve the technical result.

The General Court’s decision reflects a clear policy objective of ensuring that the trade mark system does not grant an indefinite monopoly on technical solutions or functional characteristics of a product. Such innovations should be protected, the policy argument goes, through other IP rights, such as patents or designs, which offer a more limited period of protection.

Adidas three stripes mark

In June 2019, the EU General Court issued its decision in Adidas AG & Marques (Intervener) v EUIPO concerning Adidas’ figurative mark for “clothing, footwear, headgear”, the description for which is: “The mark consists of three parallel equidistant stripes of equal width applied to the product in whichever direction.”

The decision is part of a long-running dispute between Adidas and Belgian company Shoe Branding Europe BVBA, which owns the Patrick sportswear brand (featuring a two stripe logo). In 2014, Shoe Branding filed an application for a declaration of invalidity of Adidas’ mark on the basis that it was devoid of any distinctive character.

Adidas argued that the mark had acquired distinctive character through use but, despite producing almost 12,000 pages of evidence relating to its use, the General Court agreed with the EUIPO that Adidas had not identified sufficient evidence of use of the mark as registered. Much of Adidas’ evidence showed use of signs which, the EUIPO Board of Appeal had concluded, differed from the mark significantly. For example, this included use where the colour scheme was reversed (i.e. white stripes on a black background) and use of sloping signs. These uses altered the distinctive character of the mark as registered. In particular, the General Court took into account the “extreme simplicity” of Adidas’ mark, stating that, “the simpler the mark, the less likely it is to have a distinctive character and the more likely it is for an alteration to that mark to affect one of its essential characteristics and the perception of that mark by the relevant public”.

Further, Adidas had to show use of the mark throughout the EU to demonstrate acquired distinctiveness. Whilst it had produced 23 market surveys in a number of EU member states, only five of those were relevant, with the other 18 being carried out in relation to signs that were not broadly equivalent to the mark as registered. Whilst the CJEU confirmed in the KitKat case (discussed in our July 2018 edition), that it would be unreasonable to require separate evidence of acquired distinctiveness in each Member State, here the results of the five surveys that were on point could not be extrapolated to all Member States.
McDonald’s fail to prove ‘genuine use’ of Big Mac trade mark

Many reacted with surprise at the widely reported news that McDonald’s had lost its registered EU trade mark for BIG MAC at the EUIPO following a cancellation action by Irish fast food chain, Supermac’s: Supermac’s (Holdings) Ltd v McDonald’s International Property Company Limited. Supermac’s successfully argued that BIG MAC had not been put to genuine use for all of the relevant goods and services (in classes 29, 30 and 42). The BIG MAC of course is synonymous with McDonald’s and millions are sold every year, including across the EU.

However, the burden of proof was on McDonald’s to prove genuine use of its mark in relation to the relevant goods and services and, in this case, McDonald’s failed to do so, as its evidence did not meet the grade. Evidence of use must show the place, time and extent of the use, and should include independent evidence, not just evidence from the trade mark owner. The decision highlights that, irrespective of how popular a mark may be, a trade mark owner must not assume that genuine use will be established by default, they must prove the genuine use through their evidence.

McDonald’s had registered BIG MAC on 22 December 1998 for a wide range of food items and associated services in classes 29, 30 and 42. In 2017, Supermac’s applied to cancel the mark on the grounds there had not been genuine use for a continuous period of five years since registration.

McDonald’s did submit evidence of use, including witness statements providing sales figures and packaging together with promotional material and website extracts, focussing on the German, French and English markets. However, the EUIPO criticised McDonald’s evidence for the following reasons:

— Affidavits from McDonald’s employees would be given less weight, in the absence of other independent evidence.

— Printouts from websites showing the use of the trade mark BIG MAC was not sufficient if the website did not also show the place, time and extent of use, or if this information was not provided.

— No information was given on how brochures etc were circulated, who they were offered to, and whether they led to any actual/potential purchases.

— Wikipedia evidence on the history of the Big Mac was unreliable as a source of unsupported information.

McDonald’s has subsequently faced another attack from Supermac’s, this time against its EUTM for Mc. In this case McDonald’s was able to show genuine use for some goods including “chicken nuggets”, but the mark was nevertheless revoked for broader food and drink related goods and services.

Brand Extension and Indirect Confusion

When choosing a brand for a new product or business, it is important to take into account the risk of both direct and indirect confusion with earlier trade marks. Indirect confusion tends to arise in three main scenarios:

1. Where the two marks share a common element that is so strikingly distinctive that the average consumer would assume that no one other than the original brand owner is using it in a trade mark at all, e.g., “26 RED TESCO”.

2. Where the later mark simply adds a non-distinctive element to the earlier mark, e.g., a sub-brand or brand extension e.g., terms such as “LITE”, “EXPRESS”, “WORLDWIDE” and “MINI”.

3. Where the earlier mark comprises a number of elements, and a change of one element appears entirely logical and consistent with a brand extension e.g., “FAT FACE” to “BRAT FACE”.

Virgin Enterprises Limited v Virginic, LLC was an example of the second type of indirect confusion. Virginic, a US cosmetics company promoting natural ingredients, applied for VIRGINIC in class 3 relating to cosmetic products. Virgin opposed the application relying on its earlier mark for VIRGIN, in class 3. After the UKIPO rejected Virgin’s opposition, it successfully appealed to the High Court, which identified a material error of principle by the Hearing Officer. Applying the level of confusion assessment afresh, the High Court ruled that indirect confusion was likely to arise, as there was a risk that the average consumer would perceive adding ‘–IC’ made VIRGINIC a ‘newly-minted adjective’ “of or pertaining to VIRGIN”. Accordingly, there was a fairly high degree of conceptual similarity between the trade marks. Further, the average consumer would be likely to think that VIRGINIC was a brand extension of VIRGIN, and therefore indirect confusion was established.

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Online infringement of EUTMs: CJEU confirms jurisdiction
Following an IPEC decision that had the potential to weaken enforcement strategies against online infringements of EUTMs, the CJEU issued a decision in 2019 that reassured brand owners. In AMS Neve v Heritage, the CJEU confirmed that a claim for infringement of an EUTM arising from advertising or the offer of products on a website may be brought in a Member State where the consumers or traders to whom that website is targeted are located. This reverses the finding of the IPEC, which had concluded that the claim for infringement of an EUTM (as opposed to a UK trade mark) had to be brought in the Member State where the defendant committed the alleged wrongful acts, and not where it had an effect.

AMS Neve, an English company making and selling audio equipment, brought infringement (and passing off) proceedings in the IPEC relying upon both UK and EU trade marks. The claim was against Spanish company Heritage, which sells and supplies audio equipment – in Spain and via its website. The Heritage website is written in English, has a ‘where to buy’ section including a UK distributor, and its terms of sale make it clear it will accept orders from EU member states.

The IPEC decided it could hear the UK trade mark infringement and passing off claim, arising out of use of an alleged infringing sign on Heritage’s website, which was arguably targeting the UK. However, it thought it did not have jurisdiction to hear the EUTM infringement claim and said that claim had to be heard in Spain. The Court of Appeal, whilst doubting the correctness of the IPEC’s approach, did recognise it had some support in recent CJEU case law. Accordingly, it referred questions to the CJEU on this point.

Under the EUTM Regulation, the default rule is that a trade mark owner should sue an alleged infringer for EUTM infringement in the EU Member State where that alleged infringer is domiciled (there are then a cascade of provisions that will apply where the defendant is not domiciled in a Member State). However, an EUTM owner can alternatively bring proceedings in the Member State where the act of infringement has been 'committed or threatened', in which case any remedies awarded will be limited to acts of infringement occurring in that territory, i.e., there will be no pan-EU relief.

The CJEU concluded that, in the case of website advertising and offers for sale, there will be relevant acts committed in the territory where the consumers or traders who are the target of that advertising or offer for sale are located, regardless of where the defendant or its server is established, or of the location of its products. This involves an assessment based on the content of the website as to whether the advertising and offers for sale target consumers or traders situated in the relevant Member State. The CJEU's decision will assist rights holders in their enforcement strategies against online infringers, including where those websites are based outside of the EU.

High Court ruling clarifies the legal position of parallel imports of medical devices
In Dansac and ors v Salts Healthcare Limited and ors, the High Court clarified the law relating to relabelled imported pharmaceutical and medical products following the 2018 ruling of the CJEU in Junek v Rauscher. In particular, the High Court's decision provides guidance on when a parallel importer will be obliged to give prior written notice of its importation to the trade mark owner (under the criteria known as the ‘Bristol-Myers Squibb (BMS) conditions’ developed in that case by the CJEU).

Where the goods are over-stickered, but there is no repackaging, it will only be necessary to notify the trade mark owner where the over-stickered label jeopardises the product’s guarantee of origin. As the judge said, both Junek, and now this decision, have the potential to represent a “major chink in the BMS regime”.

The claim is the latest in a long-running series of disputes relating to parallel imports of ostomy bags and related products. In an earlier dispute between the parties, the Court had found that failure to give notice under the fifth BMS condition meant that the relevant goods were infringing.

The Defendant imported the Claimant’s products from Spain and Italy into the UK market. Before the products entered the UK market, they affixed labels to the outside of the boxes, but did not otherwise open or interfere with the packaging. The Claimants’ case turned on whether over-stickered goods which had not been otherwise interfered with would be subject to the BMS conditions.

Birss J concluded that, if a box has not been opened and, provided an over-stickered label does not risk the guarantee of a product’s origin, the BMS conditions will not apply (and so notice will not be required to the trade mark owner). Accordingly, in over-stickerering cases, a trade mark owner will need to show that some risk is posed to the essential function of their mark.

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In a case raising interesting practical points for brand owners, the IPEC ruled that a UK jewellery seller (JSC) was liable for trade mark infringement for selling links for charm bracelets made and sold by Nomination, an Italian jewellery business. JSC’s case was that Nomination had effectively consented to JSC’s use of its trade marks, but this argument was unsuccessful. Whilst the Court agreed that Nomination had, by selling Nomination charm bracelets, thereby consented to the onward sale of links for those bracelets, it also decided that Nomination nonetheless had legitimate reasons to object to JSC’s onward sale of links.

The case focused on JSC’s sale of individual links for Nomination bracelets (although they did not sell Nomination bracelets themselves), which had been sourced from Nomination bracelets sold by authorised retailers in Italy and Germany. JSC sold the Nomination links alongside links for their own Daisy Charm bracelets, in small plastic bags or blister packs.

The Court concluded:

1. The sale of Nomination bracelets amounted to consent to the onward sale of individual links. Although Nomination claimed to have told its retailers not to disassemble bracelets and sell individual links, there was no contractual restriction to this effect. Further, when Nomination had discovered retailers selling individual links, it had done nothing to try and stop this.

2. However, Nomination had legitimate reasons to object to JSC’s onward sale of links because its bracelets were sold in an “elegantly designed cardboard box”, presented in a “similarly elegant cardboard bag, closed by a ribbon” which would convey an image of luxury to purchasers. JSC, on the other hand, sold Nomination links in plastic bags. There was no question that this did not convey an impression of quality. The Court however rejected Nomination’s other arguments in relation to legitimate reasons including a) that JSC had failed to identify who had repackaged the goods and b) that repackaging the goods had placed the condition of the Nomination links at risk (arguments that are routinely successful in relation to imports of pharmaceuticals).

The case was heard by the Court of Appeal in January 2020, which dismissed the appeal.
Court rejects passing off claim in purple inhaler case

In a lengthy decision, the High Court concluded that, through the get-up and packaging of its AirFluSal Forspiro inhaler, Sandoz did not pass its product off as being connected in the course of trade with Glaxo and/or as equivalent to Glaxo’s Seretide Accuhaler (a combination of salmeterol and fluticasone for the treatment of asthma and COPD in a dry powder inhaler). Glaxo’s Seretide Accuhaler product, on the market since 1999, is coloured two shades of purple and is sold in packaging featuring a shade of purple. Sandoz’s generic product, launched in November 2015, is largely coloured a shade of purple and is sold in packaging featuring a shade of purple. Both are prescription only medicines (and so promotion to patients is highly restricted), with prescriptions normally being written using the brand name.

The parties agreed that a loose colour convention had developed in the UK in relation to certain types of inhaler, e.g., for blue and ‘autumnal’ colours, thereby promoting familiarity for patients. The evidence from healthcare professionals was that they would not assume that any purple inhaler was Seretide, but would regard the colour purple as denoting the combination of salmeterol and fluticasone. As for patients, the Court concluded that, whilst they would understand the different colours would signify an inhaler containing differing types of medication, most would have little idea as to what the different types of medication were.

Glaxo’s passing off claim had two strands: (1) misrepresentation as to trade origin amongst patients, i.e., that Sandoz’s AirFluSal Forspiro inhaler was connected in the course of trade with Glaxo; and (2) misrepresentation as to equivalence of characteristics amongst healthcare professionals and patients. The Court noted that it can be very difficult, although not impossible, for a claimant in passing off cases to establish that the shape or colour of a product or of its packaging is distinctive of them. Recognition and association will not be sufficient, in the same way as considered in relation to unconventional trade marks and acquired distinctiveness in Nestlé.

In order to seek to demonstrate goodwill in the colour purple, Glaxo relied upon a number of surveys that it had carried out amongst healthcare professionals - although its claim of passing off as to trade origin was limited to consumers. The Court identified a number of issues with the surveys, which underline the difficulties in producing a survey which complies with the relevant requirements. Further, there was no evidence of actual confusion amongst consumers.

Glaxo also argued that there was an extended form of passing off, as the AirFluSal Forspiro was not equivalent to the Seretide Accuhaler in relation to certain characteristics. Whilst the Court accepted it was less likely that any actual confusion in the minds of patients on these grounds would come to light, it concluded that there was no evidence that - for either healthcare professionals or patients - purple would denote to them an inhaler with the characteristics and delivery mechanism of Seretide Accuhaler.

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No likelihood of confusion between BEAUTY BAY and BEAUTY AND THE BAY

Beauty Bay Limited is an online retailer of beauty products based in the UK. In Christmas 2017, Benefit had launched a range of gift sets with a San Francisco look and feel to celebrate its heritage. One of the sets was named ‘Beauty and the Bay’, and the bay of San Francisco. Beauty Bay claimed trade mark infringement and passing off in relation to its UK/EU trade marks for BEAUTY BAY/BEAUTYBAY.

The judge applied the test for trade mark infringement in the usual way. The goods and services in question were identical and he found that the marks BEAUTY BAY and BEAUTY AND THE BAY were similar to a medium degree visually and conceptually, and to a low degree aurally. The average consumer had an average degree of attention on the basis that the product cost £34.50 and would most likely be bought as gift. However, taking all of these factors into account in the global assessment, the judge found there was no likelihood of confusion. As a result, the trade mark infringement and passing off claims failed.

It is possible that the presence of the Benefit logo on the product packaging contributed to the Court’s overall finding of no likelihood of confusion. However, the judge did state that such use alongside the mark in question was not sufficient as it was much smaller in position and customers are used to seeing house/sub brands and collaborations in relation to beauty products; therefore, it was capable of performing the function of a trade mark and identifying origin of goods. There were also no instances of actual confusion, but the judge confirmed there is no requirement for there to be evidence of actual confusion from actual consumers.

The CBD consumer products boom – the risks considered

CBD (cannabidiol) consumer products are proliferating in a number of UK sectors, including retail, food and beverage, health & beauty, and hospitality. Businesses are actively exploiting the clear CBD opportunity, looking to capture any “first mover” advantage. There are, however, a number of issues to consider for any business planning to enter the CBD market. Manufacturers and sellers of CBD products should exercise caution, as the regulatory position remains unclear. Notwithstanding the popularity of CBD retail products, the legality of some CBD products remains unresolved, however presented.

From an IP perspective, as more businesses enter the CBD market, brand identity plays an ever-increasing role. Trade mark offices around the world all appear to be adapting to the relaxation of existing cannabis regulations, and permitting applications for CBD related goods and services, provided certain criteria are met.
From east to west: Changes to trade mark regimes across the world

Changes to trade mark regimes in China and Canada came into effect in 2019, bringing good news for global brand owners. Developments in China will help with the enforcement of existing rights, while changes in Canada should streamline the trade mark application process.

China

China has long been a challenging jurisdiction for brand owners, particularly in facing bad faith applications, and infringing products. However, revisions to the law indicate a more optimistic future. In addition to a new e-commerce law requiring e-commerce platform operators to deal with IP rights infringements, an amendment to intellectual property laws, which came into force on 1 November 2019, deals with a number of issues, including bad faith applications. In particular, a trade mark application will be considered to have been filed in bad faith if it was made without an intention to use the mark.

The amended law also increases the maximum amount for statutory damages (which apply where the loss/profit is difficult to determine) from RMB 3 million to RMB 5 million, and the penalty for malicious trade mark infringement from three times the actual loss suffered by the earlier rights owner to five times this amount or the profits of the infringer.

Canada

Until recently, Canada was something of an outlier in relation to trade mark application procedure. However, on 17 June 2019, Canada acceded to a number of international treaties and made significant reform to its trade mark laws.

Joining the Madrid Protocol means that trade mark protection can be sought in Canada by making a single application (for a single fee) at WIPO for an International Registration. Canada can now be designated under such an application alongside any of the other 121 countries covered by the Protocol. Notably Brazil also joined the Madrid Protocol last year, with the system coming into force for Brazil on 2 October 2019.

Canada also joined the NICE Classification System, which requires applicants to classify the goods and services covered by their trade mark application. This change introduces a pay-per-class fee model.

Rules in respect of registering non-traditional trade marks such as colours, tastes, sounds, moving images and holograms have been clarified and align the Canadian regime with the EU’s approach. In addition, a number of important procedural changes to the application process have also been introduced.

Project Zero: Amazon’s fight against counterfeiters

In 2019 Amazon launched ‘Project Zero’ in a bid to show the market that it is taking serious measures against counterfeiters.

This initiative appears to be in response to both: (i) negative press regarding the amount of counterfeit goods that can be purchased on e-commerce platforms and their response time in dealing with issues when flagged; and (ii) the lack of interest of luxury brands, and in some cases their explicit refusal, in having their products listed on Amazon. For example, in Coty (discussed in our December 2017 edition), the CJEU ruled that a supplier of luxury goods could prevent its authorised distributors from selling those luxury goods via third-party platforms such as Amazon. It appears that Amazon is trying to appeal to these luxury brands (who are generally the most counterfeited) by promising to deliver on active counterfeit monitoring and empowerment to brand owners.

Project Zero has three prongs of attack:

1. Automated Protection Measures
   Amazon says that its “machine learning expertise” scans listings and proactively removes suspected counterfeits, using data provided by brand owners.

2. Self-service by brand owners
   Brand owners who sign up to Project Zero will be given administrative privileges on Amazon which will allow them to instantaneously take down listings which they believe to be counterfeit.

3. Serialisation of products
   Amazon offers an optional ‘pay per product’ service (approximately $0.01 - $0.05 per unit based on volume) to scan and confirm the authenticity of a brand’s products when they are sold on Amazon.

The project was extended to the EU in August 2019. Currently, whilst free to join, Project Zero is ‘invite only’ and there is a waiting list - perhaps to try and entice the more luxury brands to join this ‘exclusive club’.
Copyright

In a continuing trend, 2019 saw the CJEU issue a series of decisions following referrals from Member State national courts on various issues under the Copyright Directive and related Directives. This looks set to continue in 2020 with the CJEU due to hear more copyright referrals.

Following one of the most intensive lobbying processes for a piece of legislation, the Digital Single Market Copyright Directive was approved in 2019, and Member States now have until 7 July 2021 in which to implement its provisions, with France taking the lead on the implementation process. The UK Government meanwhile had said it has “no plans” to implement the Directive into UK law.

The UK Courts have also determined a number of interesting copyright points, ranging from the test for joint authorship through to communication to the public via Internet radio streams. In a decision where Mishcon acted for Nintendo, the Court has granted the first website blocking order relating to ‘Technological Protection Measures’, and websites selling devices seeking to circumvent such measures. The Court’s decision is significant as it confirms for the first time that website blocking orders are also available to non-IP rights.


On 15 April 2019, the EU Council adopted the Copyright Directive. Member States will have two years, until 7 July 2021, to implement the provisions of the Directive into their national laws. This date falls after the proposed transitional period under the Brexit Withdrawal Agreement and whilst the UK Government has “no plans” to implement it into UK law, businesses will need to comply with its provisions when operating. The Directive seeks to harmonise aspects of copyright law relating to the Digital Single Market but a number of its provisions have been highly controversial, and this shows no sign of abating during the implementation period of the Directive.

The particularly controversial provisions are Articles 15 and 17.

Rights in publications (Article 15, previously Article 11)

A new related right will be created for publishers of press publications (i.e., journalistic publications) established in a Member State relating to the online use of their publications by information society providers. The right, which will last for two years from the date the press publication was published (calculated from 1 January in the following year), will not however apply to:

— Private or non-commercial uses by individual users
— Acts of hyperlinking
— Use of individual words or very short extracts

Authors (i.e., journalists) should receive an ‘appropriate share’ of any revenues the press publisher receives under this provision. News aggregators, such as Google News have heavily criticised this proposal and so it remains to be seen to what extent a market for publishers to charge for use of their content will be created. In its press release, the European Parliament suggests:

“As sharing snippets of news articles is specifically excluded from the scope of the directive, it can continue exactly as before. However, the directive also contains provisions to avoid news aggregators abusing this. The ‘snippet’ can therefore continue to appear in a Google News newfeed, for example, or when an article is shared on Facebook, provided it is “very short”.”

It is likely that interpretation of the exception for ‘individual words or very short extracts’ will be the subject of considerable debate.

Use of copyright-protected content by online content-sharing service providers (OCSSPs) (Article 17, previously Article 13)

OCSSPs are sites that store, and give the public access to, large amounts of copyright-protected works uploaded by their users, such as YouTube, Twitter and Facebook. An OCSSP will be liable for copyright infringement if users upload copyright protected material, unless it has a licence from the copyright holder (which will cover the acts of its non-commercial users) or where no authorisation is obtained, it complies with the regime set out in the Directive. This requires OCSSPs, subject to an assessment of proportionality and other factors, to:

— Make best efforts to obtain an authorisation
— Make best efforts to ensure the unavailability of specific works notified by right holders
— Act expeditiously, when receiving a notice from a right holder, to disable or remove access to copyright works (notice and takedown), and also make best efforts to prevent their future upload (‘notice and stay down’)

Start-up OCSSPs will not be subject to the full liability regime. Instead, where an OCSSP service has been available in the EU for less than three years, with an annual turnover of less than EUR 10 million, it will only be required to make best efforts to obtain an authorisation and to adopt notice and take down mechanisms. Once its average monthly visitors exceeds five million, it will also need to adopt notice and stay down mechanisms.

The Directive states that the mechanisms it sets out should not lead to non-infringing works not being made available. Member States must ensure that there are exceptions for quotation, criticism and review, and parody use (under current EU copyright laws, such exceptions are optional for Member States to implement). Further, there must be a mechanism for users to complain and obtain redress where they dispute material being abusing this. The ‘snippet’ can therefore continue exactly as before. However, the directive also contains provisions to avoid news aggregators abusing this. The ‘snippet’ can therefore continue to appear in a Google News newfeed, for example, or when an article is shared on Facebook, provided it is “very short”.”

Remuneration of authors and performers (Articles 18-23)

Where authors and performers license or transfer their rights in their copyright work, the Directive provides that they should receive appropriate and proportionate remuneration. Further, they should be given, at least annually, information on the exploitation of their works/performances, to ensure greater transparency in terms of the revenues earned. Where the revenues they receive under a contract turn out to be disproportionately low compared to those derived from the exploitation of the relevant work, a contract adjustment mechanism should allow them to claim additional, appropriate and fair remuneration.
New exceptions to copyright infringement and measures intended to ensure wider access to content (Articles 3-14)
The Directive contains a number of provisions designed to improve research and preservation of cultural heritage. This includes new mandatory exceptions relating to text and data mining, the digital use of works for teaching or illustration, and allowing cultural heritage institutions to make copies of works in their permanent collection for preservation. There are also provisions relating to the use of out-of-commerce works, audio-visual works on video-on-demand platforms, and works of visual art in the public domain.

Copyright for designs? CJEU bolsters protection of product design
In a decision with potentially far-reaching consequences for design-led industries, the CJEU held that EU Member States’ laws cannot impose a requirement that designs (in this case of jeans and t-shirts) have an aesthetic effect in order to attract copyright protection. Instead, the same objective standard set out in the EU legislation and case law must be applied to all types of copyright works.

Currently, some EU countries make it harder for designs to attract copyright protection by imposing a requirement of aesthetic effect or artistic quality, perhaps reflecting concerns that granting lengthy protection to functional designs may hinder innovation. Now that the CJEU has ruled out this approach, there are likely to be a number of implications. In particular, copyright protection brings with it certain benefits over design rights: there is no requirement for the work to be novel, there is no requirement of registration (as there is for certain types of design rights), and the term of protection is significantly longer. If a particular design can benefit from copyright protection (in addition to design right protection), the owner of the rights in that item has a much greater ability to protect and enforce its rights.

Clothing designer G-Star RAW CV alleged that another designer, Sociedade de Vestuário SA (Cofemel), had copied its designs for jeans and t-shirts and had therefore infringed G-Star’s copyright in those designs in Portugal. Cofemel argued that the designs were not eligible for copyright protection under Portuguese law, which requires designs to be of a certain aesthetic quality.

The CJEU concluded that Member States are not permitted to set a standard higher than that provided for by the relevant EU legislation. Article 2(a) of the InfoSoc Directive provides that “Member States must allow authors of ‘works’ to prevent others from reproducing those works”. The Directive does not define “works” but the appropriate standard to apply has been set out by the CJEU in several earlier decisions. These make it clear that the following criteria must be fulfilled:

1. A “work” must be original in the sense that it is an intellectual creation of its author: This means that it “reflects the personality of its author”, demonstrating his or her “free and creative choices”. However, where the expression of the work is determined by technical considerations, rules or other constraints, and there is no room for creative freedom, an item will not have the necessary originality.

2. Only something which is the expression of the author’s own intellectual creation may be classified as a work.

3. The subject matter must be expressed in a manner which makes it identifiable with sufficient precision and objectivity (as determined by the CJEU in its Levallo decision concerning the taste of cheese). There should be no element of subjectivity (such as aesthetic value).

In following its earlier case law, the CJEU’s decision is perhaps of no great surprise. However, the earlier cases did not comment explicitly on whether individual Member States can impose their own, different criteria for designs to qualify as copyright works. The CJEU has now put down a very clear marker that this is not permitted.

This decision is likely to make it harder for designs to be denied copyright protection. This will impact on the UK’s law relating to “works of artistic craftsmanship”, and the approach the UK Courts have taken to ‘utilitarian objects’ and sculptures. However, the assessment of originality for copyright remains a rigorous one and it may be difficult, for example, in some cases to demonstrate that a particular design was not constrained by technical considerations (and left no room for creative freedom). There will need to be some further clarity from the Courts on both protection and infringement (and potentially, amended legislation).

The decision may also lead to a revisiting of the traditional ‘closed list’ approach of UK copyright law where the legislation splits protectable works into categories including literary, dramatic, musical and artistic works, each with their own criteria.

The UK court has already applied the CJEU’S decision in a case relating to jacquard fabric, in a decision suggesting that UK law will need to adapt to this new approach.
CJEU issues three copyright decisions on fundamental rights and copyright

In the summer, the CJEU issued three important copyright decisions looking at the interplay between the protection of copyright and fundamental rights (including freedom of expression) - all of which were referred by the German courts. In all three cases, the CJEU confirmed that Member States may not provide for additional defences to copyright infringement going beyond those provided for under the EU copyright regime. This sets out an exhaustive list of exceptions which already takes into account the interests and fundamental rights of both producers and users of protected subject matter, as well as the public interest.

In the Pelham case, the CJEU considered music sampling and the use of a two-second rhythm sequence from the Kraftwerk song Metall auf Metall in a continuous loop. The CJEU concluded that taking a sample, even where it was a ‘very short snatch’ of music, would amount to infringement of a copyright work (given that the InfoSoc Directive provides that infringement may occur where ‘part’ of a work is reproduced), provided that the sample remains ‘recognisable to the ear’. The CJEU suggested that this literal interpretation reflected the general objective of the InfoSoc Directive to establish a high level of protection of copyright, and of the exclusive right of a phonogram producer to protect its considerable investment.

In relation to defences, the sampler sought to rely upon the German law that an independent work created in the free use of a copyright work may be published without consent, but the CJEU said this was incompatible with the EU copyright exceptions regime. Interestingly, however, it considered that the quotation defence under the InfoSoc Directive could apply to musical works and set out the essential characteristics of a quotation for the purposes of this defence as follows:

— **Use** by a user other than the copyright holder of a work, or more generally, an extract from a work;
— **For the purposes** of illustrating an assertion, of defending an opinion or of allowing an intellectual comparison between that work and the assertions of that user;
— **User** of a copyright work wishing to rely on the quotation defence must have the intention of entering into ‘dialogue’ with the work.

In principle, the use of a sample could qualify as a quotation where the sample is recognisable to the ear in the new work. But, there would be no ‘dialogue’ if it is not possible to identify the work concerned by the quotation at issue. Clearly, this case will raise a number of issues of interpretation in future cases, both in terms of the impact on the assessment of copyright infringement by a partial reproduction, and in relation to the proper application of the quotation defence.

In the Funke Medien case, the CJEU considered copyright protection in German state military briefing reports relating to the operations of its forces overseas. A German newspaper had published the reports and the German state had brought an action against the publisher for copyright infringement. These were purely informative documents and the content was essentially determined by the information in them. Whilst there would have been some degree of effort and skill involved in preparing the report, following the CJEU’s guidance, it seems likely that the national court will determine that the authors of the reports were not making free and creative choices and thereby expressing their own intellectual creation, in which case they will not be protected by copyright. In relation to potential defences if they are protected by copyright, particularly that of freedom of information and of the press, the CJEU made the same point as in Pelham: the exhaustive nature of the copyright exceptions regime in the EU. It did however note that, when assessing whether the defence of use of a work in connection with reporting applies, account could be taken of the nature of the speech or information, in particular, in relation to political discourse on matters of the public interest.

Finally, in Spiegel Online, an online newspaper had published an article contending that a politician had made false claims in relation to a manuscript he had written. The journal linked from its website to the original manuscript and an article. The politician sued for copyright infringement and, again, the CJEU was asked to consider the interplay between protection of copyright and fundamental rights and the application of the quotation defence. The CJEU noted that to rely on the quotation exception, it was not necessary for the quoted work to be inextricably integrated into the alleged infringing work by way of an insertion or footnotes, and so quotation can take place by linking to the quoted work. The German court will need to assess whether the use of the manuscript and article by quotation extends beyond the confines of what is necessary to achieve its informative purpose. Further, in the particular factual scenario before the Court, it will need to assess whether the work has already lawfully been made available to the public (i.e. with the copyright owner’s authorisation or in accordance with a non-contractual licence or statutory authorisation).
CJEU confirms no exhaustion of copyright through the supply of e-book

In the Tom Kabinet case, the CJEU considered whether the provision of an online service comprising a virtual market for 'second-hand' e-books (allowing users to download copies), would amount to infringement of copyright or whether the copyright owners' rights will have been exhausted, meaning that they could not prevent such sales. The claim was brought in The Netherlands by publishers associations against the Tom Kabinet service which makes e-books available to members of its 'reading club'.

In relation to physical copies of a book, EU law provides that the copyright in that book will be exhausted by the first sale or other transfer of ownership in the EU by the rights holder (or with their consent) of the original or a copy of the work. In the UsedSoft case, in interpreting the Software Directive, the CJEU had extended the exhaustion principle to distribution of copies of computer programs provided certain criteria were met, regardless of whether they were tangible or intangible (i.e., available for download).

Tom Kabinet argued that its activities were covered by the distribution right and the copyright owners' rights were therefore exhausted, i.e., that there was a concept of 'digital exhaustion' under the InfoSoc Directive. The CJEU disagreed and found that Tom Kabinet was communicating copyright works to the public by making them available to anyone registered with the reading club's website, and so the distribution right did not apply. As the principle of exhaustion did not apply to a communication to the public, the right holders could prevent this. The CJEU concluded that the EU legislature had intended that the rule of exhaustion be reserved for distribution of tangible objects, such as books on a physical medium. Applying the rule of exhaustion to e-books would impact negatively on right holders (compared to physical books), as dematerialised digital copies of e-books do not deteriorate with use, and used digital copies are therefore perfect substitutes for new copies. Further, the exchange of such copies would be straightforward and require little effort or cost, compared to the market for second-hand tangible objects.

Nintendo obtains novel blocking injunction

On 10 September 2019, Arnold J issued judgment granting a ground-breaking blocking website blocking order to Nintendo Co., Ltd, the seller of the popular Nintendo Switch games console. The judgment expands the grounds upon which a blocking injunction may be granted, to include not only the blocking of websites which infringe intellectual property rights, but also those which offer for sale and distribute circumvention devices which aim to circumvent the technological protection measures (“TPMs”) within the Nintendo Switch console. The purpose of the TPMs is to prevent piracy and the playing of unauthorised and infringing games.

The order compels the UK’s major internet service providers to block public access to various websites advertising and selling Team Xecuter’s SX Pro and SX OS, which are the most prolific piracy-enabling products in respect of the Nintendo Switch.

As established in the Cartier case (discussed in our November 2017 bulletin), website-blocking injunctions can be granted on the basis of trade mark infringement. In this case, the target websites made unauthorised use of Nintendo’s trade mark. However, in addition to trade mark infringement, Nintendo sought a blocking injunction on the basis of sections 296ZD and s296 of the Copyright Designs and Patents Act 1988 (“CDPA”), which provide statutory protection against the circumvention of copyright protection measures. The rights given by these sections of the CDPA are not themselves intellectual property rights but are an ancillary right, and their purpose is to support the protection of underlying copyright.

In assessing the merits of the claim for a website blocking order, Arnold J followed the same approach as adopted in the Cartier case, assessing whether or not the ‘threshold conditions’ were met. In Nintendo’s case, these conditions were satisfied by the fact that:

- the ISPs provide internet services to consumers and were not themselves responsible for the infringing websites or their contents and it is well established that they were intermediaries;
- the operators of the target websites were infringing Nintendo’s rights in the UK;
- the evidence provided by Nintendo established that the operators of the target websites were using the ISPs’ services to do so; and
- the target websites had knowledge of the claim because Nintendo had notified them of it.

Arnold J also concluded that granting the injunction was proportionate in all of the circumstances of the case including because of Nintendo’s sustained attempts to contact the operators of the infringing websites.

Read more
Court of Appeal guidance on works of joint authorship

In an unusual outcome, the Court of Appeal sent a case (Kogan v Martin) on joint authorship back for re-trial in the IPEC. The case concerns the 2016 film Florence Foster Jenkins, starring Meryl Streep as the eponymous wealthy American music-loving socialite who dreamed of becoming a great opera singer; but without any real talent. The issue was whether there was a sole author and owner of the copyright in the screenplay (Mr Martin) or whether there were in fact joint authors/owners (Mr Martin and Ms Kogan).

The Court of Appeal overturned the IPEC's decision on a number of grounds, including the Judge's erroneous approach to the witness evidence in the case (which led him to fail to make findings of fact on key issues) and for imposing too high a threshold for determining whether Ms Kogan had made a sufficient contribution. The Court of Appeal usefully set out the appropriate factors to consider in a claim of joint authorship:

Collaboration
1. A work of joint authorship is a work produced by the collaboration of all the people who created it.
2. There will be a collaboration where those people undertake jointly to create the work with a common design as to its general outline, and where they share the labour of working it out.
3. Derivative works do not qualify. If one of the putative authors provides only editorial corrections/critique, or ad hoc suggestions of phrases or idea, without wider collaboration, this will also not qualify.
4. It is never enough to ask ‘who did the writing?’. Authors can collaborate in many different ways.

Authorship
5. Joint authors must be ‘authors’ in the sense that they must have contributed a significant amount of the skill which went into the creation of the work. Again, this means looking beyond who ‘held the pen’.

Contribution
6. Only ‘authorial’ contributions in this sense will count, and this will be acutely sensitive to the nature of the copyright work.
7. Whether a contribution is sufficient will be assessed by reference to the standard set out in the Infopaq test for originality, namely whether the putative joint author has contributed elements which express their own intellectual creation, exercising free and creative choices.

Non-distinctness of contribution
8. The contribution must not be distinct (if it were, the authors would be separate authors of their individual contributions).
9. There is no further requirement that the authors subjectively intended to create a work of joint authorship.
10. It may be relevant that one of the authors has the final say on what goes into the work (as occurred in this case), but this will not be conclusive.
11. The respective shares of joint authors do not need to be equal and can reflect the relative amounts of their contributions.

The Court of Appeal also rejected the IPEC Judge’s “novel theory” that the significance of a contribution depended upon the type of skill employed in making that contribution. The IPEC Judge distinguished between primary skills required to create a copyright work (in relation to a literary work, this would be the selection and arrangement of words in the course of setting them down) and other secondary skills (e.g, inventing plot and character).

Read more

Breaking the Internet? TuneIn radio aggregator service infringes copyright

Many cases in recent years have tested the extent to which copyright law can meet the challenge of new technologies and new uses of technology. In the latest case, the Defendant (TuneIn Radio) suggested that a win for the Claimant record companies would “break the Internet”, whereas the Claimants argued that allowing the Defendant to continue its activities would “fatally undermine copyright”. In fact, the court found, in relation to three categories of radio station, there would be a copyright infringement by TuneIn when the relevant radio station was targeted to the UK as a result of TuneIn’s activities, including in relation to geographically tailored adverts. The findings of infringement covered:

— Radio stations not licensed in the UK or elsewhere
— Radio stations licensed in a territory other than the UK
— Internet radio stations created for and operated by TuneIn (without licence from record companies). This service was disconnected in 2017

Crucially, the Court found that there would also be infringement in these scenarios by the radio stations themselves (i.e. even though it was only through the acts of TuneIn that certain radio streams would become infringing in the UK).

However, there would be no infringement by TuneIn or the radio stations in relation to those stations that were licensed in the UK (via PPL) - a significant part of TuneIn’s operation.
TuneIn Radio is available via its website and apps, providing links to over 100,000 radio stations that are freely available on the global Internet. Importantly, TuneIn does not transmit third party content, it connects users to third party radio stations’ streams without taking the listener to those stations’ websites. Instead, users remain on the TuneIn page and are shown TuneIn ads whilst streaming. The case hinged on the interpretation of provisions in the InfoSoc Directive relating to communication to the public, and whether TuneIn was simply a directory or search engine linking users to websites containing relevant content i.e., radio streams (instead of websites generally, as in the previous case law). TuneIn argued that it did not transmit or store any music, and was merely providing users with hyperlinks to works which had already been made freely available on the internet without any geographic or other restriction.

The Court’s decision is particularly useful for the Judge’s explanation of the series of CJEU case law relating to communication to the public, including in relation to linking and the relevant criteria. The Court concluded that TuneIn was not a conventional search engine, but was an aggregator of links at scale. In relation to the non-UK radio stations (but not the UK ones which had already been licensed via PPL), there was a communication to the public.

Interestingly, under the contracts between TuneIn and the various Internet radio stations, the stations were said to be responsible for the permissions necessary for the streams to be published in their own locality. However, there was nothing in the terms setting out whether the non-UK radio stations were responsible for ensuring a consent was in place where streams were targeted at users in the UK.

Both parties were given permission to appeal to the Court of Appeal given the ground-breaking nature of the issues.

IPEC rejects copyright claim in celebrity bedding
In November 2019, the IPEC dismissed a claim for copyright infringement in a celebrity endorsed duvet prototype. The similarities between the “Kylie Minogue At Home” prototype were not close, numerous or extensive enough to the “By Caprice” duvet to suggest copying. Whilst the respective duvets had similarities (each bore repeating scallop-style pleats in horizontal rows), the differences between them were extensive enough to indicate that they had been produced by an independent source.

The Court declined to place any weight on the evidence of the Claimant’s expert witness. The expert, specialising in textile design, had initially been engaged by the Claimant to produce evidence in support of its case, focusing on the similarities between the duvets and not the differences. However, when the expert was later required to submit evidence as a court-appointed independent expert, he was criticised for his lack of impartiality and objectivity as he maintained an approach that identified too closely with the aims of the Claimant. Above all else, this case acts as a useful reminder of the duties and obligations of an expert under the Civil Procedure Rules and the consequences of non-compliance.
Copyright in Charlotte Tilbury make-up infringed by Aldi

In an interesting decision, the High Court ruled that copyright can subsist in the designs of pressed powder in a palette, and that Aldi had infringed Charlotte Tilbury's copyright in two such designs. This case is notable for three reasons: it confirms that copyright can subsist in a work that is ephemeral in nature, the Court was sufficiently persuaded by the Claimant's arguments to award summary judgment, and it illustrates how copyright is a useful tool for rights holders dealing with copycat products where otherwise they might only consider passing off.

The Claimant, Islestar Holdings Ltd, launched the Charlotte Tilbury brand in 2013 with a “Filmstar Palette”, which included two designs in the “Starburst Design” embossed onto the metal lid of the palette and the “Powder Design” embossed into the pressed powder within the palette. Aldi produced two copycat products, each featuring a design similar to one of the Claimant’s designs. Aldi relied upon the Harbord decision (where the Court decided that the facial make-up of pop star Adam Ant was not protected by copyright because it was not fixed on a tangible medium) in support of its argument that copyright could not subsist in the Powder Design due to its ephemeral nature. Deputy Master Linwood however rejected this argument, and found that, despite the fact that the design could disappear over time through ordinary usage of the palette, the design did attract copyright protection.

Aldi had prior access to the designs, and so given the objective similarities, the burden of proof shifted to Aldi to disprove that the similarities in the products resulted from copying. Aldi was unable to do so and the Court concluded that the similarities between the designs amounted to reproduction of a substantial part. As Aldi had no realistic prospect of defending the infringement claim, the Court awarded summary judgment.

Haas Formula 1 and the Rich Energy logo

The Summer of 2019 proved a testing time for the relationship between the Rich Energy Haas Formula One team and its title sponsor, Rich Energy. In May 2019, the IPEC found that Rich Energy had deliberately copied its logo from ATB Sales Limited (trading as Whyte Bikes), and so infringed the copyright in Whyte Bikes’ logo (ATB Sales Limited v Rich Energy Limited).

Rich Energy denied that its logo infringed the copyright in Whyte Bikes' logo. It claimed that it independently designed its logo in 2015 without reference to, or knowledge of, the Whyte Bikes logo. Rich Energy purported to produce evidence of independent design — in the form of a “Brand Guidelines” document showing how its logo had been created independently of Whyte Bikes’s logo. However, under cross-examination at trial, it transpired that key parts of this document had been created after the proceedings were issued, for the purposes of defending the claim.

The court found not only Rich Energy liable for copyright infringement, but also its director and sole shareholder, and its design agency. Given the high degree of similarity between the logos, Rich Energy was always facing an uphill struggle to prove that it had created its logo independently. When Rich Energy’s evidence of an independent design process for its logo fell apart, a finding of copyright infringement became inevitable.
**Design**

**Court applies Trunki test in baby bath case**

The implications of the Supreme Court’s 2016 decision in `Trunki` continue to be felt in the English courts, with the latest application of `Trunki` reasoning evident in the judgment of the IPEC in one of the cutest named decisions of the year; *Shnuggle Ltd v Munchkin.*

Shnuggle, the Claimant, is a UK company which designs, manufactures and sells baby baths. The Defendants (“Munchkin”) are a US designer and manufacturer of competing products and its UK indirect subsidiary and distributor. Shnuggle applied for Registered Community design (RCD) protection for a particular baby bath design in 2013. This RCD consisted of eight views of its design, with each view represented as a blue-coloured CAD image. In 2015, it launched a new version of this product and applied for a further RCD to protect this variant design, using line drawings to illustrate the design. It issued proceedings against Munchkin for, amongst other things, infringement of its 2013 RCD.

Munchkin did not challenge the validity of the 2013 RCD, but argued that it did not infringe because, following `Trunki`, the informed user would perceive the blue colouring of the CAD images as part of the registration, and this limited the scope of protection. Shnuggle attempted to persuade the judge that the blue colouring could be ignored on the basis that the informed user would see it as having no purpose except to indicate light and shade on a 3D object. Agreeing with Munchkin, HHJ Clarke commented that “if Shnuggle had wanted to register only the shape of the bath, instead of positively choosing the colour blue, it could have provided a line drawing (as it did for a later RCD) or rendered it in monochrome shades of grey”. The blue colour therefore had to be taken into account when assessing infringement.

In addition to other differences between the designs, the Court considered that the informed user would, when assessing the overall impression of the design, identify as a difference the predominantly white colour of Munchkin’s product.

Whilst the interpretation of the CAD images was not fatal to Shnuggle’s case, as HHJ Clarke said that she would have reached the same conclusion even if the 2013 RCD was not coloured blue due to other differences in the designs, it illustrates the continuing dangers of using CAD images for design registrations. Applicants should remain wary of using CAD images (and especially those with colour), as line drawings remain the preferred manner for representing shapes of designs.

**Court refers questions on first disclosure of designs to CJEU**

The IPEC referred the important question of what counts as a first disclosure of a design for the purposes of qualification for Unregistered Community Design (UCD) to the CJEU in *Beverly Hills Teddy Bear Company v PMS International Group.* The issue is as follows: must there be an event of disclosure that takes place in the territory of the EU for UCD protection to arise, or is it sufficient that the event, wherever it takes place, could reasonably have become known to the relevant circles within the EU?

HHJ Hacon concluded that the issue is not clear cut and that, as a “matter of widespread interest”, designers and others will benefit from an authoritative statement of the law, including parties who trade from (and will continue to do so post-Brexit) the UK. The CJEU will determine the issue under the terms of the Withdrawal Agreement, and so the progress of the referral will be watched with interest. For now, however, designers will still need to prepare on the basis that, after the end of the transition period, simultaneous disclosure or registration of key designs may be the safest way to protect their position in both the EU and the UK (subject to any agreement that provides for reciprocity in relation to designs first disclosed in the other territory).

The Claimant first showed its soft toy designs at a trade fair in Hong Kong, and then subsequently showed them in Germany. The Defendants accepted that the nature of the Hong Kong fair was that the design of the toys would have become known in the normal course of business to the circles specialising in the sector within the EU.

However, the Defendants argued that the effect of Article 11 of the Design Regulation was that a design must have been first disclosed in the territory of the EU in order for UCD protection to arise. The first disclosure in the EU was in Germany and therefore the designs, according to the Defendants, lacked novelty due to the earlier disclosure in Hong Kong. This is because the CJEU has previously determined that it is not necessary for an event of disclosure to take place in the EU when determining whether it has been made available to the public when assessing the novelty of the design.

There is no CJEU case law authority on whether the first disclosure for UCD protection must be in the territory of the EU, and so the judge considered the wording of the EU legislation, the German case law (which is in favour of requiring a first disclosure in the EU territory for UCD protection to arise), and the conflicting commentary in leading textbooks. His view was that the German court’s approach was correct i.e., that a first disclosure of a design must first take place in the EU to qualify a design for UCD protection. However, he recognised that the issue is not clear, and therefore decided to refer questions to the CJEU.

**Read more**
Is it time for designers and fashion houses to turn to the criminal law to combat flagrant copying?

The Intellectual Property Office’s research into design infringement, published in November 2018, found that over 98% of a spectrum of designers from all sectors had reported infringement, and concluded that between 5% and 16% of those design infringements would amount to criminal offences had the designs in question been registered (the offence only applies to registered designs). Copyright and trade mark infringement prosecutions have a well-established track record, and designs in various sectors and industries have been protected through prosecution in other countries (such as Germany and Denmark). However, several seasons since the change in the law relating to designs and criminal offences, prosecutions for the design offence in the UK appear to be non-existent.

For more serious cases where prosecution is proportionate and necessary, for example, when dealing with repeat offenders or where a broader deterrent effect is required, maximum sentences in this area are up to ten years’ imprisonment and/or an unlimited fine. Whilst sentences of that length would inevitably be reserved for the more extreme cases, a more consistent and predictable sentencing regime has recognised the harm caused by this category of commercial crime and metes out appropriate punishments.

Allied to that is the potential individual liability of directors and managers; ancillary orders such as director disqualification; and, in addition the forfeiture of offending goods, Confiscation Orders may remove not just profits but entire turnover; as well as providing an effective mechanism for the delivery of compensation.

In the UK, private prosecutions, long used by the film and music industries, are seeing a resurgence as a route to obtaining justice on an individual basis whilst simultaneously having a wider deterrent effect. At a time when the criminal justice system is showing signs of strain, private prosecutions challenge the now-outmoded perception that criminal prosecutions are lengthy and cumbersome. By contrast, when conducted properly in a focused and proportionate way, it is possible to steer a carefully chosen private prosecution through the criminal courts in an efficient and effective manner.
Brexit: Status quo after 31 January 2020 during transition period

The UK left the EU on 31 January 2020. The EU and UK reached a revised Withdrawal Agreement, which includes a transition period ending on 31 December 2020. This period may be extended, provided that the UK and EU27 agree to this extension by 1 July 2020. However, the UK Government's position is that there will be no extension to the transition period and it is legislating to entrench this position in law.

Transition Period: Status Quo Applies

During the transition period, EU law continues to apply to the UK, and so there is no change in relation to protection and enforcement of IP rights during this period. EUTMs, Registered Community Designs (RCDs), and Unregistered Community Designs (UCDs) will continue to cover the UK. There is no need for any action to be taken, other than to continue to monitor developments, and to review IP portfolios and related agreements to be in an optimum position at the end of the transition period.

The continued application of EU law during the transition period is no longer on the basis that the UK is a Member State, but arises as a result of the Withdrawal Agreement. In effect, the UK is being treated as if it is still an EU Member State.

Withdrawal Agreement: EUTMs and EU Designs

The Withdrawal Agreement deals with preservation of EUTMs and EU Designs in the UK at the end of the transition period through the automatic creation of equivalent rights in the UK. This will take place on 31 December 2020 (on the assumption there is no extension to the transition period).

In summary, the Withdrawal Agreement provides as follows:

— Existing EUTMs and RCDs will be preserved in the UK at the end of the transition period through the creation of an equivalent UK right, with the same priority and seniority. This will happen automatically and at no cost to the right owner. Similarly, where there is an UCD which arose before the end of the transition period, the owner of that UCD will automatically become the holder of an enforceable right in the UK for the remaining period of protection of the corresponding UCD.

— Where an application for an EUTM or RCD is pending at the EUIPO at the end of the transition period (on 31 December 2020 or any agreed extended date to the transition period), the applicant will have a 9 month priority window in which to file a UK application.

— Where an EUTM or RCD is being challenged at the EUIPO through a cancellation action which is ongoing at the end of the transition period, and that EU right is later declared invalid at the EUIPO, this outcome will also apply to the new UK right created (unless the grounds for the invalidity or revocation do not apply in the United Kingdom).

— Where a UK court has made a referral to the CJEU for interpretation of a point of EU law before the end of the transition period, the CJEU will provide answers to the questions referred, even if the case is heard by the CJEU after the transition period. Key referrals from the UK Courts pending include the questions recently referred by the IPEC relating to UCD and whether it is necessary for the first disclosure of the design to take place in the EU.

— An equivalent UK trade mark arising from an EUTM will not be liable to revocation on the grounds that the corresponding EUTM has not been put into genuine use in the UK before the end of the transition period.

— When assessing the reputation of an equivalent UK trade mark arising from an EUTM, it will be possible to take into account reputation acquired in the EUTM in the EU before the end of the transition period. After the transition period, reputation of the equivalent UK trade mark will only be based on use of the mark in the UK.
What happens after the transition period?
The UK and the EU will be negotiating the terms of their future relationship throughout 2020 and we will monitor developments, and keep you regularly informed. It remains to be seen how much regulatory alignment will be agreed, including in relation to IP rights. If no agreement is reached by the end of the transition period, this would lead to a ‘No Trade Deal Brexit’.

In general terms, existing EU IP laws (as at the end of the transition period) will be retained as part of UK law once the transition period has completed, with appropriate modifications. Over time, however, the UK may diverge on certain aspects in relation to retained EU laws.

The UKIPO has issued updated guidance on IP in the transition period and also from 1 January 2021 (assuming the transition period ends on 31 December 2020). This is an update of the guidance that had previously been produced for a No Deal situation, taking into account relevant aspects from the Withdrawal Agreement. It is possible that aspects of this guidance will be updated over the course of 2020.

Unregistered Designs: Government plans for a ‘supplementary unregistered design right’
One of the more difficult Brexit issues for IP rights is the treatment of unregistered design rights which are, of course, extremely valuable rights in a number of design-led industries. The Government has proposed the creation of a ‘supplementary unregistered design right’ (SUDR) mirroring the UCD, seeking to plug the gap in protection that may otherwise arise (given that the UK’s existing unregistered design right does not provide the same levels of protection).

However, concerns were raised about the value of the SUDR due to uncertainty in the EU over the existing disclosure requirements relating to UCDs. Depending on how this issue develops, this may mean that, after the end of the transition period, businesses will need to consider taking steps to ensure simultaneous publication of their designs in the UK and the EU, or incur the expense of obtaining registered design protection in both the EU and the UK. The concern for UK based designers is therefore that, if they disclose their designs first in the UK, they might be eligible for the SUDR, but they will not be eligible for UCD protection in the EU, and may also destroy the novelty in any subsequent RCD application. But, if they disclose their design first in the EU, will this impact on their ability to rely upon SUDR?

Design-led businesses will be watching the outcome of the referral to the CJEU in the Beverly Hills Teddy Bear case, and any further developments re the SUDR, with interest.

Brexit and Exhaustion of IP Rights: Too difficult to quantify?
The potential impact of Brexit on the treatment of parallel imports into the UK is another difficult issue to resolve. Parallel imports are genuine products imported from another country without the permission of the intellectual property owner. The Withdrawal Agreement provides that IP rights exhausted in the EU and the UK before the end of the transition period shall remain exhausted in both areas. As part of its No Deal planning, the UK Government decided, as a ‘temporary fix’, to align unilaterally to the EUEEA regime to allow continuity of supply of parallel imports into the UK. However, where a right holder places goods on the UK market after the end of the transition period (or this happens with their consent), the rights may no longer be considered exhausted in the EEA and so consent may need to be obtained. Again, it will be necessary to see how this issue develops over 2020 as to what will now happen after the end of the transition period.

In relation to the long-term position, however, the Government commissioned EY to conduct a feasibility study, simply to determine whether it would be possible to estimate the scale of parallel trade across the UK economy. The central finding in EY’s Report of its assessment of 30 economic studies was that, other than in the pharmaceutical sector, there is very little data on parallel trade, and limited awareness of the issues surrounding parallel imports, or perhaps a reluctance to speak on it, due to either stigma or normalisation. The study authors concluded that, whilst there were potential avenues for further research, there was not a clear and conclusive research methodology available to estimate reliably the scale and impact of potential changes to the parallel trade regime.

Read more
Other developments

EU Commission eyes revamp of vertical restraints regulations for the digital marketplace
In May 2019, the European Commission closed its consultation on the Vertical Restraints Block Exemption Regulations (“the VBER”), which govern the assessment of supply and distribution arrangements and the restrictions that these may contain (e.g. exclusivity provisions, territorial restrictions, pricing, and the operation of selective distribution systems) under EU competition law. The VBER provides a safe harbour from competition law restrictions where certain criteria are met.

The current VBER date from 2010 and are due to expire in 2022. The development and expansion of online market places since 2010 means that the VBER (and their accompanying Guidelines) frequently have little to say on certain issues and challenges that brands now face. It has been left to case law and action by national competition authorities to plug the gaps, which is cumbersome and has led to divergence of application of EU law across the Member States.

The Commission stated that it will seek to address such issues when reviewing the VBER. Notably, it intends to address the use of most favoured nation clauses and the operation of selective distribution systems, particularly in the context of online sales and market places (i.e. eBay, Amazon).

Public consultation on the Vertical Block Exemption Regulation: brand battle lines are drawn
The Commission published responses to its consultation which had targeted a variety of stakeholders, including brands, industry associations, distributors, online marketplaces and law firms. Although more luxury brands and associations engaged in the consultation than online marketplaces and distributors, the responses highlight the tensions between brands and the online marketplaces.

The key concerns raised by the brands can be broadly broken into four themes:

1. The necessity of the VBER and guidelines: Brands broadly agreed that the VBER and guidelines are valuable and should be renewed rather than removed.

2. Online sales restrictions: A number of the responses highlight a divergence in the approach of national competition authorities to restrictions on the on-sale of luxury goods following the CJEU’s Coty decision. Some of the respondents suggested that the clarifications provided in Coty should be integrated into the VBER and guidelines in the form of an exemption for selective distribution systems for luxury goods in appropriate circumstances, and an express acknowledgment that contractual clauses which prohibit distributors from using third-party digital sales platforms should not be considered a restriction by effect.

3. Modification of the Resale Price Maintenance (RPM) and dual-pricing guidelines: Brands also highlighted the importance of investment in bricks and mortar and the difficulties they face with incentivising such investment without an option to dual-price, and called for clarification on when dual-pricing may be appropriate (currently it is a hardcore restriction).

4. More flexibility around selective distribution use and criteria: Again with reference to Coty, brands asked for more clarity and flexibility regarding the qualitative criteria which can be used as part of a selective distribution network. Distributors and online market places, meanwhile, called for clarification around what is meant by “luxury”.

A staff working document is planned for Q2/2020, which will provide the Commission’s view and assessment of the current framework and any proposed changes.
Guess fined €39m: A warning for businesses franchising or distributing products in the European Union

On 25 January 2019, the European Commission published its Decision of 17 December 2018 fining clothing brand Guess €39.8 million (following a 50% reduction) for implementing distribution arrangements which, between 1 January 2014 until 31 October 2017, unlawfully prevented distributors from:

— using the Guess brand names and trade marks for online search advertising;

— selling online without first obtaining specific authorisation from Guess, which Guess had full discretion to either grant or refuse;

— selling outside the authorised distributors’ allocated territory;

— cross-selling among authorised wholesalers and retailers; and

— determining their resale prices independently.

A key part of Guess’ e-commerce strategy was restricting the use of the Guess brand names and trade marks, in particular in Google AdWords. Guess sought to maximise traffic to its own website, at the expense of distributors, by systematically banning its authorised retailers, both mono-brand and multi-brand retailers, from using or bidding on Guess brand names and trade marks as keywords in Google AdWords in the EEA (the only exception appears to have been in the UK with respect to official resellers).

The Commission found that these terms created a restriction of competition ‘by object’, meaning that the Commission did not have to identify the specific effect of them on the market to find them unlawful. However, the Commission did determine that Guess’ activities allowed it to partition European national markets, observing that retail prices of Guess products were on average 5-10% higher in Central and Eastern European countries than in Western Europe. Guess’ agreements restricted or distorted competition within the EU single market because they deprived European consumers of a key benefit - the opportunity to shop across borders for better deals and more choice.

Guess obtained a 50% reduction in the fine for co-operating with the investigation. In particular, it notified the Commission of a further restriction of competition, provided additional evidence representing ‘significant added value’ over the evidence the Commission had gathered, and expressly acknowledged the infringement, all of which resulted in administrative efficiencies.

Brand owners beware: agreements restricting bidding on search terms may be anticompetitive

Following the Commission’s Guess decision, it has made it clear that such practices are likely to face increased scrutiny. Thomas Kramler, the head of a Commission unit responsible for e-commerce, told an antitrust conference in Washington DC in March 2019 that restricting bidding for online advertising was becoming a ‘space to watch’ and ‘something that antitrust authorities will have to grapple with going forward’.

In the Guess case, the Commission did not accept Guess’ argument that the need to protect their brand image provided a legitimate objective for the restrictions, as Guess themselves had entered into the agreements with distributors and therefore had accepted that the distributors would sell their products.

I-800 Contacts: restriction between rivals

A decision by the US Federal Trade Commission (the “FTC”) against online contact lens retailer 1-800 Contacts, in November 2018, revealed that brand owners may also be sanctioned for entering into agreements which restrict bidding on search terms amongst competitors. 1-800 Contacts had entered into settlement agreements with its rivals whereby the companies agreed not to bid on keyword search ads related to their rivals’ trade mark terms. Such practices were deemed by the FTC to be restrictions on a consumer’s opportunity to see a competitor’s ad in the first place.

The FTC did not accept 1-800 Contacts’ argument that the agreements were entered into with the object of preventing future trade mark litigation and so provided a legitimate justification for their anticompetitive behaviour, as they saw no reason why 1-800 Contacts could not have explained, in a brief statement placed beside the advertisement, that the ad sponsor was in no way affiliated with the company.

How to protect your brand

Although 1-800 Contacts has appealed, so it remains to be seen if the FTC’s decision will stand, the Guess and 1-800 Contacts decisions, combined with Thomas Kramler’s comments, display an appetite amongst competition authorities to clamp down on anticompetitive agreements which restrict bidding for search terms. This is part of a wider initiative by the Commission and national competition authorities to challenge any provisions which appear to restrict online selling by distributors and retailers.

Read more
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