However, a different conclusion was reached in the High Court in Ireland in *Allan & Hanbury Ltd v Comptroller of Patents Designs and Trademarks* (1997) Fleet Street Reports, where the grant of a compulsory licence of a patent was overturned because it conflicted with the TRIPS Agreement.

There is therefore a conflicting situation where different member states at the first level of the court hierarchy have taken diametrically opposed views. It will need appeals to the higher courts such as the House of Lords for the matter to be resolved.

CONCLUSION

What conclusions can one derive from all this? First, there is absolutely no doubt that the new WTO dispute settlement system is a success, as is witnessed by the flood of cases that have been presented by member states since the introduction of the system in February 1996. Indeed, the WTO is a victim of its own success, in so far as it is not able to cope with its huge new workload.

The European Commission is actively trying to promote the interest of Community industry by bringing complaints to the WTO. No doubt a similar attitude is expressed by the Japanese authorities. However, as discussed above, a Japanese company with substantial production facility within the EU will be treated as a Community producer and should be able to use the new trade barriers regulation as much as normal Community producers.

Secondly, that the recent cases before the ECJ indicate that, in an appropriate case, the court may well depart from its past practice in the 1947 GATT and allow individuals and private companies to enforce the WTO agreements directly against member states which have breached their obligations. This would be a tremendous weapon to use in opening up markets and in ensuring that industry obtains full benefits from the new WTO agreements.

Thirdly, despite the conflicting results of the cases that have so far occurred before the national courts of the member states, there appears to be a growing willingness by those courts to accept arguments based on international law and the WTO agreements. There will sooner or later be a reference to ECJ from a national court of a member state which will further clarify the extent to which individuals can raise the WTO agreements in a national court.

By way of conclusion, I would suggest that when Japanese exporters are faced with trade barriers within the Community legal system or practices by the European Commission in, for example, the application of anti-dumping rules, it should look at the possibility of using the WTO agreements as a further weapon. After all, the WTO agreements – and the courts which are there to give effect to them – were supposed to create a new climate for international trade and both Europeans and Japanese are supposed to benefit from this.

Philip Ruttley
Garretts
This text was originally delivered at a seminar with the Japanese Machinery Exporters' Association, held in Tokyo on 11 July 1997

Making its Mark?

by Paul Harris & Paul Garland


Paul Harris

Recent years have seen a developing picture in the law relating to trade marks. Paul Harris and Paul Garland review decisions made under the *Trade Marks Act* 1994 and look at a number of passing off cases.

We have now had just over two years of the new substantive and procedural approaches to trade marks and whilst there have been a few surprises, from the litigation point of view, it would generally be fair to say that there has been a lot 'more of the same'.

Passing off actions, too, have slowly been evolving and the last two years' important cases are digested below.

TRADE MARK REGISTRY PRACTICE

The case of *Konings Graanstrokrij (NV)'s Application – St Trudo Trade Mark* [1995] FSR 345, though not heard in the registry, related to Trade Mark Registry practice. Konings Graanstrokrij NV applied to expunge two marks for St Trudo in Classes 32 and 33 registered in the name of McCormick (UK) plc. The application was dealt with on the basis of the transitional provisions of the *Trade Marks Act* 1994.The application succeeded and the concurrent jurisdiction of the registrar and the court was preserved and noted.

However, the main point of this case, which gave rise to great concern amongst trade mark agents at the time was that Mr Justice Ferris held that second-hand or more remote hearsay evidence was inadmissible in rectification proceedings; the strict rules of evidence under the *Civil Evidence Act* 1968 would admit first-hand hearsay evidence only in certain circumstances. Following this decision, the patent officer should take direction on the admissibility of evidence in proceedings under, inter alia, the 1994 statute.

Clearly it is correct that the same rules of evidence have to apply, particularly as trade mark matters frequently end up being heard finally in court and it would, for example, be irrational for one set of rules to apply in the registry and another set to apply on appeal.

In *Nabisco v Nestlé – Lifesavers* (unreported, 17 December 1996), which involved both opposition and revocation proceedings, the first formally argued application for discovery in the Trade Marks Registry was made. The request was made for documents referred to in the statutory declaration sworn on behalf of Nestlé, claiming use of a two-dimensional representation of a ring with *Polo, Polo* around it. Surrounding documents, showing the decision to use the mark were sought, together with copies of assignments and licences referred to in statutory declarations and statements made in the opposition proceedings.

So far as the application for discovery was concerned, the registry decreed that it did not have to follow the detailed procedural rules of the High Court and that things should be kept simpler.

INFRINGEMENT CASES

The following cases all concern infringement actions and highlight the approach under the *Trade Marks Act* 1994.

It is useful to bear in mind the approach taken previously under the *Trade Marks Act* 1938. Essentially, under the old statute, when a court considered infringement, it compared the two marks and considered whether they were confusingly similar. What was sought was confusion as to source or origin of the goods. It was enough that the similarity of the marks would make a customer believe that the alleged infringer's goods were associated with the proprietor's own business or his goods.

Origins Natural Resources Inc v Origin Clothing [1995] FSR 280 was the first case to consider the *Trade Marks Act* 1994. The judge, Robin Jacob, reiterated that the comparison was still 'mark for mark', as under the 1938 Act, (although he subsequently corrected himself and said, 'mark for a sign'). One important issue raised by the judge (which again reflects 1938 Act thinking) was that, where the mark infringed had not been used, the comparison must take into consideration normal and fair use by the proprietor.

SIMILARITY

The case of *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 considered the test for 'similarity' between goods or services. The judge followed the earlier *Origins* case of 'mark for sign' comparison and concluded that the marks – *Treat* – were identical. He then went on to assess whether the goods were identical (in which case there was infringement under s. 10(1)), whether they were similar (in which case s. 10(2) applied) or wholly dissimilar (in which case s. 10(3) would apply). The judge looked at the classification of goods and concluded that the different uses to which the goods were primarily put would place them in different classes. British Sugar's registration in Class 30 was for dessert sauces and syrups, whereas the defendants claimed their product was aimed at a different market, equating it more to peanut butter and other spreads, which would fall in Class 29.

More importantly the judge had to decide what the overall test was for 'similarity of goods' (the classification element being just one part). In arriving at a suitable test the judge said:

'I think the sort of considerations the court must have in mind are similar to those arising under the old Act in relation to goods of the same description. I do not say this because I believe that there is any intention to take over that conception directly. There plainly is not.'

Notwithstanding this, the judge then went on to apply the old *Jellinek* case test (*Jellinek's Application* (1946) 63 RPC 59) and looked at:

- the respective uses of the respective goods;
- the respective users of the respective goods;
- the physical nature of the goods/services; and
- the respective trade channels through which the goods reached the market.

The judge, however, updated the test and added two further criteria to reflect modern marketing and purchasing methodology:

1. In the case of self-serve consumer items, there is the question of where the goods are likely to be found in the supermarket, particularly on which shelves.
2. The extent of the goods' competitiveness must be considered.

In considering this question the way in which market research companies classify the goods may be taken into account.

So, in relation to the approach which looks at the similarity of goods, the test laid down by the court in this case means that there is very little change from the methods used under the 1938 Act.

On the basis of the test that he had set out, the judge concluded that the goods were not similar and in any event there was no likelihood of confusion. Moreover, he found that the defendant had a defence under s. 11(2) and that British Sugar did not have a valid registration for *Treat*. The judge considered that, notwithstanding the amount of use, the goods were also sold under the house mark *Silver Spoon* and therefore *Treat* was not really a badge of origin in its own right. Moreover, it was one of those common laudatory words, simply incapable of distinguishing one product from another.

CONFUSION

However one must look to the last part of the test under s. 10(2) in order to appreciate the approach. Having compared the mark with the sign and against the background of the similarity of the goods or services, one must then assess whether there is a likelihood of confusion on the part of the public. This includes the likelihood of association with the trade mark.

The issue of likelihood of confusion was analysed by Mr Justice Laddie in *Wagamama Ltd v City Centre Restaurants plc & Anor* [1995] FSR 713. The plaintiff had a registration for *Wagamama* for restaurant services. A restaurant under that name had been in business since April 1992 at a site near the British Museum. In April 1995 the plaintiff became aware that the defendants were intending to open an Indian-themed restaurant under the mark *Rajamama* and interlocutory proceedings were instigated. In fact, speedy trial was agreed and the trial came before Mr Justice Laddie within three months of the action being commenced.

The essential part of this case was what was meant by 'likelihood of association'. As this was not a concept known to the UK, the court was urged to look at Benelux law, from where this concept was alleged to have come.

Essentially, the Benelux law concept is encapsulated in the test as to whether or not the registered trade mark would be called to mind on seeing the alleged infringing sign. Mr Justice Laddie designated that to be 'non-origin association'. He considered that to expand trade mark rights in accordance with Benelux law would significantly restrict the freedom of traders to compete; he was not prepared to agree to a 'new millstone around the neck of traders', in the absence of clear and unambiguous language in the trade marks directive. The plaintiff succeeded by showing confusion as to origin – following, therefore, the test previously used under the old 1938 Act – and also passing off.

UNFAIR ADVANTAGE

In *BASF plc and BASF AG v CEP (UK) plc* (unreported, 1996), BASF were the registered proprietors of the mark *Opus* for pesticides, herbicides and similar goods. CEP had for ten years published a directory under the name *Opus*. Planning to launch a free directory of farming suppliers called *Farming Opus*, CEP contacted BASF as a potential advertiser. BASF asked CEP to change its name which CEP refused to do. An interlocutory injunction was subsequently sought to restrain CEP from passing off and trade mark infringement.

The court dismissed BASF's application for an injunction. The court held that survey evidence of confusion amongst farmers was deemed insufficient to show passing off. The fact that there was an overlap between the plaintiffs' products and the subject matter of the defendants' publication did not establish a likelihood of confusion.

Trade mark infringement was considered under s. 10(3) of the Act as the goods in question were not similar. The court held that there was no evidence that CEP was taking unfair advantage of BASF's mark. The court added that where there is no confusion amongst the relevant members of the public, then the distinctive character of the plaintiff's mark cannot be adversely affected. It appears that this case limits the scope of s. 10(3) as the court stated that, without evidence of confusion, there can be no detrimental advantage taken nor detriment caused.

BAYWATCH CASE

In *Baywatch Productions Co Inc v The Home Video Channel* [1997] FSR 22, the plaintiff, producer of the television series *Baywatch* and the registered proprietor of the mark *Baywatch* (in Class 9, for videos), sought an interlocutory injunction to restrain the defendant from broadcasting the sexually explicit *Babewatch* series until trial of the substantive issues.

The plaintiff was seeking to rely on three causes of action, namely trade mark infringement under s. 10(2), under s. 10(3) and passing off.

The judge, Mr Crystal QC, concluded that the plaintiff had failed to demonstrate that there was a serious question to be tried. The court also held that adult television programmes and video tapes, etc. were not similar goods or services within the definition of s. 10.

In relation to s. 10(3) the judge followed *BASF* and took the view that this section did require confusion, as it would be illogical for s. 10(3) to give greater protection in relation to non-similar goods or services by dispensing with the ingredient of the likelihood of confusion, than the protection afforded to similar goods under s. 10(2). The court adjudged that there was no evidence to support an arguable case of likelihood of confusion (under s. 10(2) or s. 10(3)).

This decision has been much criticised as it seems that the courts are interpreting s. 10(3) in such a way as to prevent its use as an anti-dilution weapon. A trade mark owner can find the mark's distinctiveness being blurred, or its reputation damaged by an association with poor quality goods, despite the absence of customer confusion.

PICK UP A PUFFIN

In the recent case of *United Biscuits (UK) Ltd v Asda Stores Ltd* (unreported, 18 March 1997), United Biscuits, the manufacturer of *Penguin*, the established brand leader for chocolate-coated sandwich biscuits, sought an injunction for passing off and trade mark infringement against Asda who launched its own competing brand entitled *Puffin*. The *Puffin* brand was launched in September 1996 and sold in Asda supermarkets in close juxtaposition to *Penguin* biscuits. The slogan, 'Pick up a Puffin' was used in a feature on new products in Asda's leaflet *What's New*, but its use was stopped following objections by United Biscuits.

The court held that the sale of Asda's *Puffin* biscuits amounted to passing off. To show passing off, United Biscuits had to establish the classic trinity of reputation, misrepresentation and damage.

Having shown goodwill and damage, United Biscuits demonstrated that the name *Puffin* and the prominent picture of an upright dark-coloured bird with a white front gave the expectation, on first impression, that an association would be made between the Asda product and that of United Biscuits. It was sufficient if a substantial part of the general public were led to suppose, or assume or guess at such a connection. Despite the fact that the great majority of customers did not know who was the manufacturer of *Penguins*, the *Puffin* packaging and get-up was held to be deceptively similar to those of *Penguin*. The customer did not need to know the name of the manufacturer who owned the goodwill, provided that the customer knew that there was such a person and cared that the goods which he bought were made by that person.

However, the claim for infringement of the plaintiff's word mark *Penguin* failed. The judge held that he did not consider the fair use was infringed by the use of the sign *Puffin*, 'once added surrounding matter is disregarded'. The court also held that four of the pictorial marks registered by United Biscuits should be revoked. United Biscuits did not have a registration of the *Penguin* device used on its current pack and the court held that there was no infringement in relation to those registered pictorial marks which escaped revocation.

An injunction was granted to restrain Asda from selling *Puffins* in the current get-up or in any get-up which would amount to passing off its products as being connected to those of United Biscuits.

COMPARATIVE ADVERTISING

Until the 1994 Act, use of a registered trade mark in a comparative advertisement was not permitted. However, under s. 10(6) of the 1994 Act, a trade mark can be used to identify another's goods, as long as it is in accordance with honest practices in industrial and commercial matters and does not, without due cause, take unfair advantage of or is not detrimental to the distinctive character or repute of the mark.

There were a number of cases under the 1938 Act including *Compaq Computers Corp v Dell Computer Corpn* [1992] FSR 93 where Dell was injuncted from using Compaq's trade mark.

The comparative advertising provision of s. 10(6) is not something within the trade marks directive and therefore the law across Europe continues to be diverse. For example, in Germany you can't even say, 'Avis – we try harder' or 'probably the best lager in the world'.

UK DECISION

The first UK decision was *Barclays Bank plc v RBS Advanta* [1996] RPC 307. Barclays applied for an immediate injunction claiming trade mark infringement against the defendants: RBS Advanta were a joint venture between Royal Bank of Scotland plc and the American Advanta Corp. relating to advertising literature about the RBS Advanta Visa Card. Three documents were sent out together: a letter, a leaflet and a brochure. The leaflet set out the benefits offered by the defendants' card and the brochure contained a table comparing the defendants' Visa card with those of the plaintiffs and other banks. The comparison was limited to the annual fee and interest rate.

Barclays sought an injunction under s. 10(6) of the Act:

'the literature did not accord with honest practices in industrial and commercial matters'

as it did not compare like with like. All the benefits were not spelled out. It was claimed that it took unfair advantage of Barclays' mark.

Mr Justice Laddie held that the primary object of s. 10(6) was to allow comparative advertising, with the proviso that the use of a competitor's mark was in accordance with honest practices in industrial and commercial matters. He noted that:

(1) The onus was on the registered proprietor to show that the facts as indicated in the proviso did not exist.

(2) There would be no infringement unless the use was not in accordance with honest practices and this should be judged by members of a reasonable audience.

(3) For the use to come within the proviso it must be other than in accordance with honest practices in industrial and commercial matters. The nature of the products or services would affect the degree of hyperbole or puff acceptable. He felt that the final part of the proviso concerning unfair advantage and detriment added nothing of significance to the first part.

It was also held that Barclays' case was very weak on the point about comparing like with like. He did not think that the omission of some of Barclaycard's benefits would be regarded by a reasonable reader as dishonest. He felt that, in view of the comparative triviality of the benefit the plaintiff would obtain from the grant of the injunction and the small amount of damage which, in the light of other competitive advertising, it would suffer, it was inappropriate to grant an injunction. He did, however, criticise the drafting of the section as 'a mess'.

In this case, although the point to point comparison was not completely precise, it was not sufficiently inaccurate to create a dishonest impression. Therefore, newcomers might well slightly mislead the public, but not mislead them enough.

When the Act was first being reviewed issues arose as to whether industry standards should be taken into account; at that time it was generally felt that this would not be the case. Mr Justice Laddie appears also to have taken this view, although it is fair to say that if an industry standard was not adhered to, then that might well be thought to be dishonest.

VODAFONE CASE

The second comparative advertising case, *Vodafone Group plc & Vodafone Ltd v Orange Personal Communication Services Ltd* (*The Times*, 31 August 1996) was heard by Mr Justice Jacob.

Orange launched an advertising campaign in late October 1995. This included the slogan 'On average Orange users save £20 every month'. The saving was expressly stated to be in comparison to Vodafone or Cellnet's equivalent tariffs. Vodafone considered the slogan to be false; it sued in both malicious falsehood and as an infringement of its registered trade mark *Vodafone*, which was admittedly valid and covered the services offered by Orange.

Orange argued that, even if the slogan were misleading, it did nothing to the distinctive character of the mark *Vodafone*. Mr Justice Jacob considered this to be incorrect. He stated that the slogan clearly took advantage of the distinctive character or repute of the mark as it would have been meaningless if no-one had heard of Vodafone. He commented that, if the slogan was misleading, there was infringement. He ruled that the ordinary man would have considered the advertisement to have meant that the running costs on Orange were below those on Vodafone. The ordinary man would not have considered the advertisement to have been a promise that he would have saved £20 himself. He would have been aware that the average would be affected by 'those people who seem to do nothing else but be on their mobile phones'.

Vodafone argued further that the advertisement also said that on average Vodafone users would save £20 for the month if they had instead been on Orange. This was dismissed on the basis that the:

'single meaning for the purposes of malicious falsehood is that if the users on Orange had been on Vodafone or Cellnet with the same usage as they had made on Orange, on arithmetic average they would have had to pay £20 more a month'.

Vodafone's case on malice was dismissed as hopeless. The claim of falsehood failed because Mr Justice Jacob rejected, as irrelevant, Vodafone's argument that the statement had been made to a market in which customers were generally confused. The public would recognise that the statement had been about average costs and that different tariffs were included.

The advertisement had made it clear that the comparison was for equivalent tariffs and, accordingly, leaving out some specific Vodafone tariffs did not go to show falsity. Malice was not proved nor was it established that the advertisement was misleading. Accordingly the claim in trade mark infringement also failed.

Whatever the decisions are under s. 10(6) in the UK, this does not overcome the problem of advertising in a European market where the advertiser has to take into account the lowest common denominator.

PASSING OFF

Comparative advertising was also involved in the case of *Kimberly-Clarke Ltd v Fort Sterling Ltd* (*The Times*, 31 August 1996). The defendant, in launching a new toilet paper called *Nouvelle Quilted*, referred to the toilet paper brand leader *Andrex* as part of its promotion, which was designed to emphasise the softness of its new product. Part of the promotion was an on-pack offer to customers that, if they were not satisfied with *Nouvelle Quilted*, they could claim an equivalent sized pack of *Andrex* in substitution. The packaging stated 'softness guaranteed (or we'll exchange it for *Andrex*)'. The packaging in very small type acknowledged that '*Andrex* is a registered trade mark of [the plaintiff]'.

The plaintiff launched an application for interlocutory relief; by agreement, this application was treated as the main passing off action.

Again, the plaintiff had to establish goodwill, misrepresentation and damage. The court considered the analysis of the relevant market and held that the defendant's use of the plaintiff's mark in its promotion was likely to lead to a substantial number of consumers believing that *Nouvelle Quilted* was associated with the plaintiff. Given this likelihood of deception, the plaintiff was likely to lose sales. Accordingly the plaintiff's passing off action succeeded.

Paul Garland and Paul Harris

Eversheds (London)