Brand management & brand enforcements

Trends and recent developments: from the UK IPO to the courts, the road less travelled

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Unjustified threats
How threatening are unjustified threats?

Background

“When a person threatens another with proceedings for infringement of a [trade mark / patent / registered design] …any person aggrieved may bring proceedings for relief”

- Attempt to prevent dominant parties from making spurious infringement claims.
- Provides a separate cause of action – declaration, injunction, damages
- Applicant is the claimant – drive the agenda
- Solicitors acting on behalf of clients can make such a threat.
Why are there concerns with the current law?

BUT forces certain behaviours:
- May not encourage settlement
- Proceedings initiated when settlement could be an option
- Removes potential low cost enforcement options
- Example – T&A Textiles v Hala Textile – eBay notice and take down can be an unjustified threat.

Requires rightsholders to be confident in their claims – this is a good thing!
Unjustified threats

Review of the position

Law Commission recommendations:

Protection against groundless threats should be retained but reformed.

A professional adviser acting in their professional capacity and on instructions from their client should not face personal liability for making threats.

In certain restricted circumstances it should be possible to communicate with someone who would otherwise be able to bring a threats action.

The current test for what constitutes a communication of a threat should be modified.
Unjustified threats

The new law

Recently passed its final reading and so we are awaiting its passage into law.

The new law has three overarching core aims:

1) The protection of businesses and individuals against those seeking an unfair commercial advantage

2) The alleviation of any negotiation obstacles

3) The extension of the law as it relates to patents, trade marks and designs
What are the key changes?

The new Act will introduce new sections into the relevant legislation for each of the rights currently featuring a threats provision:

- New section 70 - 70F Patents Act 1977
- New section 21 - 21F Trade Marks Act 1994
- Amendments to Regulation 6 of the Community Trade Mark Regulations 2006 (in relation to EUTMs)
- New section 26 - 26F Registered Designs Act 1949 (in relation to UK registered designs)
- New section 253 - 253E CDPR 1988 (in relation to UK design right)
- New regulation 2 - 2F under Community Design Regulation (in relation to Community designs).
Some key features of the new act:

A New test for what constitutes a threat

1. Whether the communication would be understood by a reasonable person in the position of a recipient to mean that a right exists.
2. Whether the communication would be understood by a person to mean that someone intends to bring infringement proceedings in respect of that right for an act done in the UK (per Best Buy v Worldwide Sales Corp)

This has two effects:

1 means that a threat can be made in relation to a Community Trade Mark; and
2 means that a threat can be made if a claim of infringement is made in the context of the Unified Patent Court. The UPC is not a "UK Court".
Some key features of the new act:

**B** A threat can be made via a mass communication


- **FACTS**: Webpage stated that a product sold by the defendant (and similar to one the threatener was retailing) infringed its patent.
- **HELD**: how this would be understood by a reasonable person in the position of a member of the flood prevention industry looking to buy such a product.

**So, for example:**
Putting on a website a statement that a product made by company X infringes Y's patent rights and Y will take steps to prevent any further infringement of the patent would constitute an actionable threat.
Unjustified threats

Some key features of the new act:

C Some clear exceptions remain:

- Trade Marks:
  - applying a sign to goods or their packaging
  - importing goods
  - supply of services

- Patents:
  - Making a product for disposal
  - Importing a product
  - Using a process
Unjustified threats

Some key features of the new act:

**New permitted communication “safe harbour”**

THERE MUST NOT BE AN EXPRESS THREAT TO SUE. If no express threat is made then a permitted communication may be allowed if certain conditions are met:

"permitted communication" is:

- a communication that is made solely for a permitted purpose;
- the information relating to the threat is information necessary for that purpose; and
- the person making the communication reasonably believes it is true.
Unjustified threats

Some key features of the new act:

D New permitted communication “safe harbour”

Also, it says what is not a "permitted purpose":

- requesting a person to cease doing, for commercial purposes, anything in relation to the trade mark/patent
- requesting a person to deliver up or destroy a product
- requesting a person to give an undertaking relating to a trade mark/patent.

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Some key features of the new Act:

- The exception for professional advisors

A professional advisor **will not make a threat** in their own right provided they act within the conditions under the new Act. Specifically:

- the professional advisor is acting in a professional capacity as providing legal services or services as a TM attorney or patent attorney;
- they are regulated;
- they are acting on the instructions of another person; and
- when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.
Unjustified threats

What do I need to know?

Key takeaway points:
- Threats actions remain a relevant consideration
- Threats actions are generally rare - new rules mean more limited
- If claim is speculative then the risk of a threats claim is one to consider.
- It is still possible to circumvent the threats risk:
  - No threats risk if claim relates to TM use in relation to services or importation of products.
  - No threats risk if fits within current safeharbour - BUT weak strategic position to be in as taking this approach will flag that there is no confidence in a case.
- It does not apply to passing off or copyright claims
Refresher on UK IPO disputes
Timing / front loading / defence

- **Reasoned statement of grounds filed upfront**
- **Shorter cooling-off period (18 months in total)**
- **Further stays unlikely to be granted**
- **Applicant obliged to defend or lose application**
Evidence and procedure

- Clear separate of evidence from submissions
- Overriding objective applies
- Technical evidence rules, e.g.:
  - Witness statement/affidavit/statutory declaration/oral
  - Limited in pages (300 chief/response; 150 further replies)
  - Numbering, copy to other side etc.
- Different case law on late evidence (greater flexibility, but far stricter)

THINK ABOUT YOUR ULTIMATE ARGUMENTS!! Much higher threshold of what will be accepted as fact without evidence.
Oral hearings

Telephone (usually restricted to procedural issues, e.g. discretion to grant extension)

In person – London / Newport
- skeleton arguments in advance
- cross examination possible
Appeals from UK IPO decisions

Appeals from the IPO are not a full re-hearing, only a review of the IPO’s decision. An appeal will only be upheld if the Appointed Person or High Court is satisfied that there has been a distinct and material error of principle in the decision, or that it was clearly wrong.

Appointed Person? OR High Court?
Passing off and confusion
Developments: passing off and confusion

Refresh – the “Classical Trinity”

Some key principles:
- A reputation does not necessarily mean there is goodwill;
- The goodwill must be in the particular feature relied upon;
- Confusion does not equate automatically to misrepresentation;
- Difficult to prove misrepresentation and so this has to often be inferred from the circumstances of the case;
- Decisions are very fact specific.
Goodwill
Developments: passing off and confusion

A) Reputation vs Goodwill

*Starbucks v British Sky Broadcasting*

**FACTS:**

- Starbucks HK provided IPTV services in Hong Kong under NOW TV mark. Service not available in UK but Chinese speakers aware of service.

- In 2012 Sky announced its own IPTV service under NOW TV mark. Claim of passing off initiated.
Developments: passing off and confusion

A) Reputation vs Goodwill

Key findings:

- Just because there is an identified body of people in the UK aware of the service is not enough. This is reputation but not goodwill.

- Mere accessibility in the UK via websites did not give rise to protectable goodwill in the UK.

- Even the fact that some users may have seen Starbuck's service via websites or from programmes on international flights did not make them customers in the UK.

- It is therefore necessary to have a customer base in the UK to establish goodwill in the UK.

- Starbuck's argued inconsistent with the modern age of international travel and electronic communication. This was rejected
Developments: passing off and confusion

B) Goodwill in a get-up

**Gama Healthcare v PAL International**

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<tr>
<th>The Claimant’s disinfectant wipes</th>
<th>The Defendant’s disinfectant wipes</th>
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<td>Phase 2</td>
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<td><img src="image2" alt="Image" /></td>
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<th>The Claimant’s pleaded detergent wipes</th>
<th>The Defendant’s detergent wipes</th>
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<tr>
<td>Phase 2 (design layout Phase 2 above)</td>
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<td><img src="image3" alt="Image" /></td>
<td><img src="image4" alt="Image" /></td>
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<tr>
<th>The Claimant’s standard detergent wipes</th>
<th>Phase 3 detergent wipes (Phase 4 substantially the same)</th>
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**ANNUAL IP SEMINAR**
Developments: passing off and confusion

B) Goodwill in a get-up

_Gama Healthcare v PAL International_

- The average consumer is important.
- PAL had intentionally tried to copy the "market trends" shown in Gama's product packaging and had "decided to live dangerously".
- The trade name chosen was significantly different from CLINELL – cannot ignore this.
- There was undoubtedly copying of the look and feel of the CLINELL product. However, copying per se is not an infringement.

Some think that copying is unethical; others do not. Often the copyist of today becomes the innovator of tomorrow. Copying is said by some to be part of the lifeblood of competition, the means of breaking de facto market monopolies and keeping down the price of articles not protected by special monopolies such as patents or registered designs. Others say that copyists are parasites on innovators. None of this matters. Certainly it is not the law that copying as such is unlawful: the common law …. leans against monopolies.
Developments: passing off and confusion

B) Goodwill in a get-up

*George East Housewares v Fackelmann (2016) EWHC 2476 (IPEC)*

- Insufficient goodwill in the shape of the cup
- TALA brand was the only part of the product to encompass the goodwill
- Insufficient evidence of any goodwill in the cup absent the TALA mark
- Blatant copying but no indication that consumers viewed the interior of the cups as indicating trade origin
- No actual confusion
Misrepresentation
Did consumers believe the cab was produced by the same company?

HELD
- Refused leave to adduce evidence
- Whitford Guidelines – must not be leading
- Asked if there was a “connection”
- Not a “special case” where survey necessary
- Criticised for “cherry picking” evidence
- Budget for survey was 20% of overall
Damage
The presumption of damage

Grenada (UK) Limited v Grenade Energy Drinks

FACTS:
• Energy drink company produced product under GRENADE mark. Defendants produced a competing product.
• Admissions that GRENADE had goodwill and misrepresentation
• Claimants argued damage flows automatically from goodwill + misrep BUT no evidence

HELD:
(i) there would inevitably be lost sales as a result of the competing product being sold; or
(ii) it is "inevitable that there will be some loss of control of the claimant's goodwill"
Developments: passing off and confusion

What do I need to know?

Key takeaway points:

- Goodwill –
  a. Reputation does not equal goodwill
  b. Goodwill in get-up is difficult to show + copying per se is not an infringement.

- Misrepresentation – The survey is all but dead as evidence

- Damage – Presumption of damage if misrep and goodwill
Questions
Lunch