

Brand Protection

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This booklet has been prepared for general information. It is not an exhaustive statement of the law. For advice in applying this general information to your specific circumstances, and details of specialist e-commerce law services Fox Williams provides, please contact Stephen Sidkin or Nigel Miller at Fox Williams.

1. Introduction

Brand owners are under pressure. An increasing amount of lookalike products are entering the market. At the same time branded products are entering the UK through the grey market.

Brand owners seek to preserve and protect the identity of their products. These have often been built up as a result of many years' research and investment. But they are faced by retailers supplying their own brands. They are accused of copycatting branded goods as a means of promoting their own products and so gaining a greater share of the market at less expense.

A prime example of the dispute was the launch by Sainsburys of its "Sainsburys Classic Cola". The introduction of this product resulted in Coca-Cola taking legal action for alleged infringement of its intellectual property rights in its range of soft drinks. In the end, Sainsburys altered the design of its product's packaging, and Coca-Cola did not pursue the proceedings. This disappointed many brand owners who were keen to highlight the growing problem through the publicity of court action.

The Trade Marks Act 1994 plays an important part in this battle. The Act harmonises United Kingdom legislation with that of the other member states of the European Union. It widens the definition given to a "trade mark", and so makes it easier to register as trade marks certain shapes, words and logos on packaging. In this respect, it has provided brand owners with more opportunity to protect the design of their products. It also introduced a unitary system of community trade mark protection.

Brand owners have, however, argued that the Act was an ideal opportunity to control the increasing emergence of own-branded lookalikes, which do not necessarily copy the logo or design of branded goods, but rather imitate their overall appearance. Despite this the Government sided with the own-branders on this issue, commenting that it felt the Act was not a suitable means of regulating such activity. Brand owners were instead placated by (still to be fulfilled) promises to look into the possibility of future legislation on "unfair competition". Such promises have still to be fulfilled.

A further blow to the brand owners were the provisions in the Act which govern comparative advertising. Previously trade mark law had provided that use of a competitor's registered trade mark in a comparative advertisement constituted infringement of that mark. The Act, however, provides that a third party may use a trade mark without infringement in certain circumstances. This alarmed brand owners, who feared that retailers who produced copycat own-branded goods would be able to "score off" branded goods in their advertisements.

The issue of branded products entering the UK through the grey market has become increasingly contentious. In particular large supermarkets and other retailers have been astute in cultivating consumer and political support.

The purpose of this practical booklet is to illustrate the problems caused by the emergence of growing numbers of lookalike products on the market, and demonstrate to what extent the current law is capable of dealing with these problems. It goes on to comment on the provisions of the Trade Marks Act, and the effects that it has on the law relating to the protection of intellectual property rights. It then addresses the issue of the grey market.

2. Economic arguments

It is important to consider the legal protection available in this field in the context of the economic argument. There are, for example, those who argue that the very nature of a market system based on competition dictates that such protection is undesirable. In this respect, retailers argue that their own brand activities represent legitimate competition and enhance consumer choice.

Brand owners, however, contend that a brand is one of their most important assets. It represents and transmits to the consumer the quality of the product. This quality is achieved only by a huge investment in the research and production of a suitable product for which there is a demand. Brand owners claim that own-branders and grey market importers exploit such investment to gain an unfair advantage.

More generally, the issue is one of balancing the need for protection of private property (intellectual property rights) against the benefits of free competition.

Some manufacturers have tried alternative methods of fighting back. Kelloggs has run an advertising campaign promoting the fact that it does not make cereals for anyone else. Coca-Cola retaliated against Sainsburys with a “Real Thing” campaign. Evidence of the strength of manufacturers' concerns was the formation of the British Producers and Brand Owners Group to press for changes in the law.

Many other countries already have in place greater protection against lookalike products. Several Continental countries, including France and Germany, recognise a general legal principle of “unfair competition”, under which brands can be protected. Germany has a statute on “get-up protection”, as do Belgium, Holland and Greece. It has been suggested that the danger of failing to recognise the concerns of brand owners in respect of their brands, might lead several big companies to reconsider their investment in the United Kingdom.

Many large companies have, for some time, been centralising the ownership of their brands in one country, and licensing their use to foreign subsidiaries, including those in the United Kingdom. There are many good reasons for such centralisation. For example, it allows for the development of global marketing strategies and the establishment of consistent royalty rates. It can also give greater protection against copycatting. Furthermore, such a policy can be highly tax efficient. If the ownership of the brand is established in a low tax area (such as Switzerland), then the receipt of royalties into the area will result in a lower tax charge than if brand ownership has stayed in a higher tax area, such as the United Kingdom.

3. The legal position

English law provides a variety of methods of protecting intellectual property rights. Brand owners may rely on one or more of these methods in seeking to ward off what they see as parasitic competition with their brands by look-alike products.

4. The Registered Designs Act 1949 (as amended) (the “Act”) and the Registered Designs Regulations 2001

The external appearance of the whole or part of a product may be protected by an application for a registered design to the Patent Office. If successful, registration

creates a monopoly right lasting for an initial five years which may be extended by four five year terms up to a maximum of twenty five years.

The Act has been amended by the Registered Designs Regulations 2001. The 'design' of a product now includes the lines, contours, shape, texture or materials of the product or its ornamentation. 'Product' means any industrial or handicraft item (excluding computer programs). Specifically, the definition of Product includes packaging, get-up, graphic symbols and typographic type-faces, all of which may play an important part in defining the character of a brand. 'Part' of a product is defined as an individual feature of the product which is nonetheless an integral part of it and would not be considered a separate product in its own right.

The law no longer requires a design to have aesthetic appeal in order to be registered. Designs dictated by the function the item is to perform, however, are not registerable.

In order to be registerable, a design must be new. However, a design will still be new if it has only been disclosed to the public, anywhere in the world, by the owner of the design or with his consent, within the twelve months up to the date when the application for registration is made. This twelve month 'period of grace' allows the design to be tested on the market before the owners go to the time and expense of registering the design. However, it is possible to register a design if the only previous use of it in the world would not have come to the attention of persons carrying out business, in the relevant industry sector, within the European Economic Area.

The design must also have individual character to be registerable. This means that the overall impression of the product on an 'informed user' differs from the impression created by any earlier design. An 'informed user' means a person (usually the end consumer) with a certain degree of brand awareness but is not expected to have the knowledge of a design expert.

After 9 December 2001, spare parts (parts of a 'complex product') are registerable. This was not previously the case. However, the design right will not be infringed if the component part is used without the design owner's consent for the purpose of restoring the original appearance of the product which incorporates the spare part. This proviso will have the effect of preventing a monopoly in the supply of spare parts.

If the application for registration is successful, the proprietor of the design has an exclusive right in the United Kingdom to make, market, import, export, sell, use or stock any article to which the design has been applied. This includes the right to use any other design which does not produce an overall different impression on an informed user.

A registered design right is enforceable against any use of the design on any product. The proprietor has the right to apply the design to a different type of article without losing the protection of the registration. After the logo has been registered as a design, any person using that design on any product, without the brand owner's consent, will be infringing the brand owner's rights. There is no requirement, as in the Trade Mark Act, that the goods or services to which the design is applied are identical or similar or that there is a likelihood that the product will be associated with that of the brand owner. This is therefore much wider protection against the illegitimate use of designs. However, there is a requirement that the initial application for registration does indicate the types of article to which the design might be applied.

5. Copyright, Designs and Patents Act 1988

This Act provides two possible means of protection: copyright and unregistered design right.

Copyright - The form and appearance of a product may be protected by copyright. Copyright subsists in and protects original literary and artistic work. An artistic work can include a graphic work, which need have no artistic quality. Accordingly a label on a product may attract copyright, so long as it is a result of independent intellectual effort. Any copyright which exists does so automatically.

Copyright in a work belongs to the creator of that work. An agency commissioned to produce a work for a manufacturing client will own the copyright in what it produces. It is, therefore, usual to require assignment of such copyright from the agency to its client. Nevertheless, the person within the agency who actually created the work may retain moral rights, which are not capable of being assigned. For this reason it is desirable to ensure that an agency's contracts of employment require employees to waive their moral rights in work which they create.

Copying a work results in copyright infringement. If a work is created independently and without reference to another, there will be no copying and so no infringement of copyright. This is so even if the second work closely resembles the first. A difficulty arises, therefore, in determining whether, and to what extent, an own-branded product has copied a branded product. Similarity of image and text on labels of products may not amount to copying the work.

Unregistered Design Right - The design of any aspect of the shape or configuration of the whole or part of an article may be capable of protection if the design is both original and unusual. Any such right, where it exists, does so automatically. There is no need to make any application for registration. The right lasts for 10 years after the first marketing of articles made to the design, subject to a longstop of 15 years from the creation of the design.

Design right is infringed where any person copies the design so as to produce articles exactly or substantially to the design.

As such an unregistered design right may be used to protect the packaging of a product, if it is sufficiently original and unusual. It is possible to prevent copying or unauthorised trading in products incorporating the design for the first five years of the design right. Damages may be sought in this respect. The problems for brand owners are in showing that their design is unusual and that it has been exactly or substantially copied.

During the final five years of protection anyone is entitled to a licence to use the design, subject to payment of a royalty.

6. Passing off

In the past, due to problems regarding registered trade marks, it was often the common law concept of passing off that a brand owner looked to as a means of protecting the get up of his products.

One of the main requirements for a successful passing off action is that there is a prospect of confusion between products through the use of similar marks or get ups. It is, therefore, an alternative method of protection to seeking to register a mark. It does not, however, create an automatic monopoly right to use a mark, as registration does. Instead, a party bringing a claim for passing off needs to establish:

- a misrepresentation;
- which is made by a trader in the course of trade;
- to prospective customers of his or ultimate consumers of goods supplied by him;
- which is calculated to injure the business or goodwill of another trader;
- and which causes actual damage to the business or goodwill of such other trader.

A critical factor to success is to show an element of distinctiveness in the get up of a product, which would then lead to confusion in the mind of the public over its identity.

Own-branders usually argue that consumers are not confused by the marketing of products which closely resemble those of the brand owners. The public, they point out, are sufficiently intelligent to distinguish between two products with similar but different names and appearances. To support their arguments, own-branders point to well-established conventions within various industries which exist to aid consumers in making their choice between similar products in a product range. For example, milk chocolate is invariably produced in blue packaging, and dark chocolate in red. Similarly, domestic washing up liquid is usually sold in yellow containers, and household bleach in blue.

Brand owners, however, argue that the public may be led to believe that the own-branded alternatives to their products are also produced by the big name brand owners. In this respect, the public may be confused.

7. Trade Marks Act 1994

The Trade Marks Act 1994 provides businesses with a far greater degree of protection for their brands than they enjoyed previously. Prior to the Act only words and signs could be registered as trade marks. Distinctive shapes, such as the Coca-Cola bottle, or the Jif lemon, could not be registered. When a competitor imitated the shape of a product, the producer of the original product's only means of removing the imitation from the market was to bring an action for passing off. Bringing such an action was not straightforward.

The Act specifically permits a wider class of things to be registered as trade marks. The definition of "trade mark" has been expanded: a trade mark is any sign which can be represented graphically and which is capable of distinguishing goods or services of one undertaking from those of other undertakings. In particular, a trade mark may consist of "words (including personal names), designs, letters, numerals or the shape of goods or their packaging". This means that colours, shapes and even sounds and smells may be registered.

However, if a would-be trade mark consists exclusively of a shape (for example, with no wording) and such shape results from the nature of the goods themselves it will not be registerable. For example, the shape of a paperclip or a football could not be registered as a trade mark. In addition, shapes which add value to goods or shapes which are necessary to obtain a technical result cannot be registered.

Several changes to the registration procedure have been introduced by the Act. But in most respects, the old registration procedure remains in place. This involves the following:

- Filing the application.
- Examination of the application by the examiner.
- Objections by the examiner. The applicant is given some time to try to overcome any objections.
- Advertisement of the application.
- Potential opposition by other parties.

Registration lasts for 10 years from the date of filing the application. Applications may then be renewed. Each renewal also lasts for 10 years. However, it can often be around 2 years between an application being filed and the registration being completed.

There is a presumption that a trade mark is registerable. The applicant only needs to show that it is distinctive.

If geographical marks are shown to be sufficiently distinctive, they may be protected to the same degree as other kinds of marks. However, if the trade mark would deceive the public about the nature of the goods (for example, if the "Devon Cream" were actually produced in Yorkshire), the trade mark cannot be registered.

Proceedings for infringement of a trade mark may only be brought by the proprietor when the mark has been registered. However, the proprietor may claim damages back to the date of filing of the application for registration.

The ways in which trade marks will be infringed are by:

- Using a trade mark which is identical to a registered trade mark in relation to identical goods and services.
- Using a mark which is identical to a registered trade mark in relation to similar goods and services.
- Using a similar mark in relation to similar goods and services.
- Using a similar mark in relation to identical goods and services if it is likely that there will be confusion between the marks in the public mind.

- Using a mark which is identical or similar to a registered trade mark in relation to non-similar goods or services where the proprietor of the registered mark has established a reputation and the later mark would take unfair advantage of, or be detrimental to that reputation. This would be relevant where a household name is used by a producer of different goods to sell those different goods - for example, using the “Kelloggs” logo on a pair of trainers.

Remedies for infringement are an injunction removing the infringing goods from the market, damages and “delivery up” of the infringing goods. An injunction (but not damages) is also available to a proprietor of an unregistered but “well-known” trade mark if his trade mark is infringed by another in any of the ways listed above.

However, in certain circumstances, a third party may make unauthorised use of a registered trade mark without fear of infringing it. The Act provides that the use of the trade mark must be:

- for the purpose of identifying goods as those of the owner of the mark;
- in accordance with honest practices in industrial or commercial matters;
- not such as to take unfair advantage of, or be detrimental to, the distinctive character or repute of the mark.

In other words, the Act allows trade marks to be used in comparative advertising within certain limits.

Comparative advertising may, however, fall foul of the law in other respects. In some circumstances, comparative advertising may amount to unlawful interference with trade, defamation or malicious falsehood.

8. Wasted development costs

In the excitement of having had a new idea, to launch as a brand or product, potential pitfalls may be overlooked.

It is important, before any time or expense is wasted on product research and development, that searches are carried out to ensure that someone else has not already had your idea. People involved in developing ideas should be aware that trade marks, domain names and company names are issued on a first come, first served basis. Time is of the essence when seeking to protect any new brands or products.

Searches for existing trade marks, patents and domain names should be carried out immediately. Registered patents indicate new products that are in development long before they become available in the market place and are particularly useful as they contain detailed technical descriptions of inventions.

It has been reported that European companies waste £20 billion each year in repeating development work that has already been patented. One company that is obviously aware of the possible pitfalls is Cannon, who have recently advertised that they patent 5 ideas a day.

9. Grey market products

Problems can also arise from the resale of original products protected by trade marks and not only with the imitation of trade mark protected products. The high profile decision of the European Court of Justice in the *Levi Strauss v Tesco* case was welcomed by brand owners. Tesco wanted to be able to sell Levi jeans cheaply in the UK that they had obtained at low prices in the United States. Tesco based its argument on the 'exhaustion of rights' principle. They argued that Levi Strauss had lost the right to control what happens to its goods after the products were placed on the market within the EEA, or were placed there with its consent. This principle does exist, to ensure that trade mark rights do not infringe the free flow of goods within the EEA. Tesco argued that the way in which Levi had sold its jeans abroad meant that they had, by implication, consented to the sales within the EEA.

The court decided that retailers cannot presume that the manufacturers' consent has been given just because they had not contacted all the stores selling their jeans that they disagreed with the marketing of its products in that way. In addition, the fact that the contract with the wholesalers did not contain a restriction on the resale of the goods to within the EEA or that the jeans did not carry a label saying they were not supposed to be sold in those stores did not mean that Levi's consent was implied.

This decision has strengthened the position of brand owners. They are now able to rely on their trade mark rights to determine the way in which their products are marketed in the UK. The goods can only be brought in to the EEA and sold with the brand owners consent. Such matters as the price, shop layout and the retailer's knowledge can all be pre-determined to the brand owner's advantage in a selective distribution agreement. The brand owner therefore has the opportunity to protect the superior quality of their brand.

Retailers act illegally if they obtain trade mark protected goods from outside the EEA and resell them. However, the law does not prevent the possibility that goods can be bought and resold at low prices on the grey market within the EEA. Brand owners still need to protect the reputation of their brand by ensuring their trade marks are properly registered and renewed when necessary. Registration should be ensured in the EEA and important markets outside the EEA. After registration, brand owners should actively maintain their trade mark protection by ensuring that renewals are properly made and that any third party infringers are immediately challenged. Agreements with manufacturers and wholesalers should be reviewed and amended, if necessary, to control the resale of the products.

Brand owners can also use selective distribution agreements to control the way in which their products are sold. Retailers can be obliged to display products in a particular way and position, to maintain the aspirational and superior nature of the branded product. The level of product knowledge the retailer is required to have can also be stipulated in the agreement.

However, even with such agreements in place, brand owners still face considerable practical difficulties in enforcing trade mark rights against grey import retailers, who they have decided do not meet their selection criteria. There are also competition law issues which need to be addressed when using a selective distribution agreement.

Ultimately it is sensible to put in place as many protective measures as possible, particularly in light of the potential wall of public opinion against the protection of brand owners' rights.

10. Fox Williams

Fox Williams is an independent business law firm based in the City of London. We have a strong reputation for our core areas practice of corporate, employment, e-commerce and partnership law.

The firm's areas of specialisms include corporate, employment, dispute resolution, commerce & technology, property and partnership. Operating as business partners with our clients, we have built a solid reputation for advising on complex legal and regulatory issues in our core areas of expertise. A distinguishing feature of Fox Williams is that it is often first choice for referrals of work from other law firms when City expertise is required.

The firm's foundations are built upon an entrepreneurial spirit – which enables us to understand our clients aspirations, current needs and future requirements. We give clients a high degree of partner involvement, with the objective of delivering a fast and responsive service. At the same time, we strive to create a happy and efficient working environment for all members of the firm, which has resulted in an Investors in People accreditation.

We adopt a particular approach to our work, which involves making a special effort to understand the business needs of our clients, and delivering a fast, responsive service. This was recently acknowledged in our nomination for **Niche Firm of the Year 2003** by The Lawyer magazine.