



# Brands from the frontline

## Dealing with copycats

**Each industry has its specific trademark challenges – for fast-moving consumer goods it is dealing with copycats. Monitoring new legislation and dealing with competing retailers are two key aspects of the in-house counsel's role in meeting this challenge.**

Looking for opportunities to influence and modernize IP laws at national level, such as the Gowers review of intellectual property in the United Kingdom, is one of the ways in which the in-house trademark counsel ensures that the business he or she works in receives the focused trademark protection solutions that it needs; tracking the implementation of EU directives that may lead to enhanced protection of brands is another. The Unfair Commercial Practices Directive (2005/29/EC), which is due to be implemented by December 12 2007, calls for close monitoring by brand owners in the fast-moving consumer goods (FMCG) industry because it provides a real opportunity for those member states that do not currently offer effective protection against copycats to introduce new legislation and rights of action.

Unlike the luxury and pharmaceutical industries, for which fighting counterfeiting is the biggest challenge, the main threat to FMCG is misleading packaging or copycats – that is, products that imitate the distinctive cues of the leading brand and therefore have the potential to confuse consumers as to the source of the products, as well as damage the capacity for a branded product to stand out on the shelf.

Copying is a threat to a brand's distinctiveness when it goes beyond using features that are descriptive or common to the product category to copying details such as:

- the brand leader's colours and colour schemes;
- the brand leader's on-pack imagery – for example, on a pet food product, copying the specific breed and pose of the animal used on the brand leader's product;
- the brand leader's positioning of colours, design elements and text on the packaging; or
- the brand leader's packaging shapes and formats.

The Unfair Commercial Practices Directive requires member states to provide effective remedies against misleading commercial practices that cause or are likely to cause consumers to take a transaction decision that they would not otherwise have taken. There is a list of specific examples of misleading practices appended to the directive. This includes "promoting a product similar to a product made by a particular manufacturer in such a manner as deliberately to mislead the consumer into believing the product is made by the same manufacturer when it is not" (Annex 1, Paragraph 13). The recitals also include a specific reference to the misleading character of products that look similar to other products (Recital 14).

The directive's implementation will hopefully help harmonize protection in the European Union. Laws that can be relied on to prevent lookalikes vary considerably, even though the European Union theoretically enjoys harmonized legislation. Courts in some countries are more willing than those in others to prevent the sale of goods in packaging that is unnecessarily close to that of the leading brand. My experience has been that countries, such as Germany, that have effective unfair competition laws provide greater protection against copycats than is presently the case under the doctrine of passing off in common law countries such as the United Kingdom or Ireland.

Successes in litigation are important to help us protect our brands. Learning from each case and using that knowledge in other cases can be particularly helpful in fast-developing markets where the courts have less experience of issues such as the protection of product get-up. However, litigation is only one means to the end of protecting brands. In-house counsel should always look for other ways to resolve problems, to avoid the inevitable cost and risk of going to court. Many issues can be resolved through commercial negotiations and other techniques, including mediation.

This is often the case when enforcing rights against copycats produced and sold by the very retailers that sell branded FMCG to end consumers. Retailers increasingly

offer private-label (ie, their own) products next to the branded products. The brand manufacturer is wholly dependent on its retail customers for making sure that a range of its branded products is available to consumers in all major retail outlets, in a shelf location that consumers will be drawn to and at prices that are not out of line with competing own-label products. Maintaining good relationships with retailers is therefore crucial.

Because of the particular sensitivities about reminding major customers of the brand owner's rights in its brands, it is particularly important, in such cases, that the in-house legal team ensures that external label actions and the business are closely aligned. An in-house team, especially one that is small and relies on a network of external firms for advice and action, will therefore be pivotal in ensuring that the outside advisers understand what the business sees as important and that they are focused on meeting that need.

By using novel and innovative filings – such as registration of colours, shapes and graphic elements – and being willing to confront the issue of lookalikes with its customers, a manufacturer of branded products can help its products stay distinctive on shelf, despite the fact that the retailer controls the route to market.

In-house legal teams need to stay closely aligned to the ever-changing priorities of the business and provide brand managers with clear risk assessment and practical advice on the options available. In the FMCG industry, where new brands can be on the shelf within a few months of initial concept, this involves rapid turnaround on search and clearance projects for proposed new brands, with any risks communicated in business-friendly language and with pragmatic proposals for overcoming obstacles within the business timescale. <sup>WTR</sup>

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