

When imitation is not the sincerest form of flattery

Deciding what action to take against infringers can be difficult enough – but what happens when you have an economic partnership with the infringer, as is the case with supermarket lookalikes?

Many businesses today spend large amounts of money developing, protecting and managing their intellectual property and branding – particularly consumer-facing brands, where it is key for consumers to be able to identify the manufacturer and its associated reputation for quality and standards. However, where this investment results in a strong recognisable brand, this can also result in other manufacturers trying to make their goods look similar in order to gain commercial advantage for their products.

The most common example is where a supermarket puts its own brand on the shelves next to that of a third-party manufacturer with a significant brand reputation and there is considerable similarity between the get-up of the products. This behaviour may, of course, give rise to several potential claims – but there is often the added complexity of the alleged copier also being a key customer of the brand owner or there existing a commercial relationship between the two parties with regard to the distribution of products. Mindful of these sensitivities, there are options available to a brand owner to deal with such a situation.

Legal remedies

A brand owner may have various claims in respect of any lookalike goods. Where the owner has registered the name of the product as a trademark, for example, it has exclusive rights in its trademark which can be infringed in a number of ways.

Some of the key cases discussed below were heard in the United Kingdom, where – under Section 10(1) of the Trademarks Act 1994 – a party infringes the rights of a trademark owner if that party uses, in the course of trade, a sign which is identical to the registered trademark in relation to goods or services which are identical to those for which the registered trademark is registered. Under Section 10(2), a party also infringes the rights of a trademark owner if, without the trademark owner's consent, that party uses a sign in the course of trade which:

- is identical to the registered trademark, in relation to goods or services that are similar to those for which the trademark is registered; or

- is similar to the registered trademark, in relation to goods or services that are identical or similar to those for which the trademark is registered, in such a manner that there exists a likelihood of confusion on the part of the public.

Finally, under Section 10(3), a party infringes the rights of a mark owner if that party uses a sign in the course of trade, without some form of justification, in relation to goods or services that are identical or similar to a registered trademark (which has a reputation in the United Kingdom), where that use either takes unfair advantage of or is detrimental to the distinctive character or repute of the registered trademark.

There can also be common law action for passing off. To succeed in a claim for passing off, the claimant must establish that:

- it has goodwill in a particular mark, logo or other indicia or get-up as at the date of the first act complained of;
- there has been a misrepresentation by the defendant (by misuse of the mark, logo or indicia or get-up) to customers that the defendant's goods or services are those of the claimant or are connected or approved by the claimant in some way; and
- the claimant has suffered damage or is at risk of suffering damage as a result of this.

A passing-off claim puts a high evidential burden on the claimant, which must prove that the misrepresentation confuses, deceives or is likely to confuse or deceive the public. This is a question of fact to be decided in all the circumstances. However, a passing-off claim can be useful to a brand owner either where the brand owner has no trademarks which are relevant to the dispute in hand or where the marks are not being infringed, but the get-up of the alleged infringing goods is very similar to that of the brand owner's goods.

Opting for litigation

Despite the various commercial considerations involved in such cases (discussed later), several brand owners have taken action against alleged infringers, even where they are customers or there is a commercial relationship between the two parties.

One case that went all the way was the claim brought by United Biscuits against Asda Stores for trademark infringement and passing off (*United Biscuits (UK) v Asda Stores* [1997] RPC 513).

The case involved two brands of chocolate-coated sandwich biscuit: United Biscuits' brand, PENGUIN, and Asda's own brand, PUFFIN. The judgment in this case illustrated how the law of

trademarks and the law of passing off can be applied to the same facts with very different results.

In respect of passing off, the court held that each of the requirements (as set out above) had been satisfied, and that the Puffin packaging and get-up were deceptively similar to those of United Biscuits' product. Although it was accepted that Asda had not intended to deceive the public, it had in fact done so due to a miscalculation of the degree of the 'challenge' or 'matching' or 'parody' that was tolerable without the product being deceptive.

In respect of trademark infringement, the court found that use of the word 'Puffin' (once the surrounding matter had been disregarded) did not infringe the PENGUIN mark and therefore the claim failed.

One of the key points brought out in this judgment is the importance of consistently using a mark without variation in its original registered form, as once the original registered form ceases to be used, the mark itself can be subject to revocation for non-use. This was of particular importance in this case, as there was no evidence of use of the marks in their exact forms since 1988 and therefore the trademarks were revoked, leaving United Biscuits with no pictorial trademarks on which to rely. It is very probable that the result of this case would have been different had the marks been used by United Biscuits in their registered form.

ECJ clarification

The European Court of Justice (ECJ) also provided useful protection for brand owners with regard to own-brand products in its landmark *L'Oréal SA v Bellure* judgment (Case C-487/07, June 18 2009).

L'Oréal is the proprietor of various Community and national trademarks in respect of certain names for its perfumes and marks relating to the bottles and boxes in which it markets its perfumes. Bellure had marketed perfumes in packaging similar to that of the L'Oréal perfumes.

L'Oréal brought proceedings in the High Court alleging trademark infringement of the word marks under Section 10(1) and infringement

of the bottle and box marks under Section 10(3) of the Trademark Act. Justice Lewison held that all of the word marks and some of the packaging marks had been infringed. There was then an appeal to the Court of Appeal, which referred a number of questions to the ECJ.

One question put to the ECJ asked what would amount to "taking unfair advantage of the distinctive character or repute of a trademark" under Article 5(2) of the EU Trademarks Directive. The Court of Appeal specifically asked whether a third party's use of a sign must create a likelihood of confusion with the trademark or otherwise be detrimental to the distinctive character or repute of the trademark or its owner.

The ECJ held that the essence of 'unfair advantage' is that by using its sign, the third party is seeking to "ride on the coat-tails of a trademark with a reputation in order to benefit from the power of attraction, reputation and prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the owner of the trademark in order to create and maintain the trademark's image". A likelihood of confusion between the sign and the trademark is not required; neither is any detriment to the distinctive character or repute of the trademark or its owner.

This judgment has therefore given brand owners relatively wide powers under trademark law to prevent third parties from using a sign which is identical or similar to their trademark with the intention of 'riding on the coat-tails' of their mark's reputation and prestige. There is no need to show that the public will be confused or that any damage will result to the trademark or its owner. This judgment has significant implications for producers of own-brand products.

Back from the brink

In terms of cases where proceedings were issued, but the disputes were eventually settled outside of court, it is worth examining the highly publicized disputes between supermarket chain Sainsbury's and two of its major suppliers with respect to Sainsbury's own-brand products.

First, in the early 1990s Sainsbury's launched Sainsbury's Classic Cola. The introduction of this product resulted in Coca-Cola UK

A large, stylized red script logo of the word "Coca-Cola" in its classic cursive font, spanning most of the width of the page.

“ The damage to a brand owner’s business that may be caused by issuing proceedings against a party with which the brand owner has a commercial relationship is an ongoing concern ”

taking legal action for alleged infringement of its IP rights in its range of soft drinks. When the proceedings were issued, Sainsbury’s very publicly announced that it would defend its actions, showing the lengths to which the supermarket felt it could legitimately go to make its goods similar to those of its suppliers.

In this case, however, it appears that after further consideration, Sainsbury’s decided that it may have overstepped the line, as it revised its packaging without going to court. This demonstrates that brand owners do have some protection under the law, provided that they are able and willing to put on the boxing gloves. Often, just the willingness to fight is sufficient to make the other party reconsider its actions.

The 2009 dispute between Diageo and Sainsbury’s is of interest to brand owners because of the actions taken by Diageo after the dispute had settled. The dispute arose when Sainsbury’s launched a gin-based drink, Pitchers, to which lemonade and fruit could be added. Diageo claimed that the packaging of the Pitchers bottle and, in particular, its label infringed Diageo’s IP rights in its well-known summertime drink, Pimm’s.

Again, although proceedings were issued, the case was settled out of court, with Sainsbury’s making some changes to the Pitchers label. However, of particular interest in respect of this dispute is the action that Diageo took after the dispute had settled. Along with several other brand owners, including McCain in respect of its oven-chip packaging, Diageo has registered as a trademark the entire front appearance of the Pimm’s bottle.

The ability to register the entire appearance of one aspect of a

piece of packaging, such as the front view of a bottle, may have been introduced by the Trademark Act, which defines a ‘trademark’ as “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 trademark may consist of “words, designs, letters, numerals or the shape of goods or their packaging”.

The key benefit of being able to register the appearance of the packaging of a specific product relates to the restrictions of trademark infringement claims – if Diageo could only register the name ‘Pimm’s’ as a trademark, then clearly the use of a different name such as ‘Pitchers’ would not amount to trademark infringement and the brand owner would be forced to rely on a passing-off claim, with the difficulty of satisfying the misrepresentation and damage requirements. However, where the image of a view of the packaging is registered, the brand owner has a greater possibility of being able to rely on a trademark infringement claim.

Weighing up commercial reality

It is fair to say that there were a few surprised faces when Diageo brought proceedings against Sainsbury’s. This surprise was based on the fact that Diageo was essentially taking action against one of its key customers.

The damage to a brand owner’s business that may be caused by issuing proceedings against a party with which the brand owner has a commercial relationship is an ongoing commercial concern for all brand owners. Even where there is a substantive claim with a real prospect of success against the customer, there are various commercial considerations that need to be considered when deciding whether it is in the brand owner’s interests to enter into a dispute with the customer. These include:

- the reliance placed on the trade generated by the customer and the need to maintain a workable trading relationship;
- the potential benefit that may be gained by the brand owner’s competitors if action is taken;
- the importance of the brand and the investment made to maintain it;
- the importance of resolving the matter quickly;
- the harm to reputation/sales of the brand owner due to the customer’s infringement; and
- the best resolution procedure in the circumstances, having regard to all the above factors and the likely cost of each procedure.

When considering how to deal with lookalike products, the

Ensuring that protection is at the heart of brand strategies

A key aspect of any brand owner’s strategy should be to register trademarks and/or design rights, subject to the registration requirements of each, and to ensure that such rights are maintained and enforceable.

However, it is also important that such marks be used in their original registered state and not in a materially altered form, as

this could seriously affect their validity and thus the protection they afford.

Recent registrations, such as the front appearance of the Pimm’s bottle by Diageo, demonstrate that the get-up of a product may be registrable. This could strengthen any claim rather than having to rely only on the name of the product as the registered trademark.

choice is not limited to either issuing proceedings, with the associated costs and uncertainty, or doing nothing and having to accept the resulting damage to sales and reputation. There are other alternatives which can be considered, including arbitration and mediation – although each has both advantages and disadvantages.

Taking no action

One very viable option for mark owners may be to do nothing or to take steps to bring the branded product more prominently into the public eye, such as Coca-Cola's 'The Real Thing' campaign, which was launched following the dispute with Sainsbury's in relation to Sainsbury's Classic Cola. To a certain extent, this will ultimately be based on a decision on the value of the brand versus the value of the commercial relationship.

However, given the investment made in developing a brand, it would seem that to take no action would result in this investment being wasted. If the lookalike product is also of an inferior quality, there is also a very real risk of the lookalike product damaging the brand owner's reputation and sales.

On the other hand, it could well be that an own-branded product, although initially thriving due to riding on the coat-tails of the brand owner's reputation, subsequently fails as consumers become aware of the distinction between the two brands. In this scenario, by doing nothing the brand owner may initially face a small drop in sales and reputation, but ultimately suffers no long-term loss and manages to maintain its commercial relationship.

Negotiations

Where it is decided to take action in respect of a lookalike product, the first stage will inevitably be some form of notice setting out the rights of the brand owner and requiring the party in question to cease its infringing activities. During this stage it is often worth pausing to gauge the response of the perpetrator. In the case of Sainsbury's and Coca-Cola, for example, it was apparent that Sainsbury's re-evaluated the action it had taken and consequently changed the get-up of its cola product.

Therefore, discussions with the perpetrator may result in the parties resolving the situation without destroying the commercial relationship. However, it is always possible that the perpetrator will not take such discussions/negotiations seriously, so the brand owner may need to be prepared to take further action if at this stage the discussions do not reach a satisfactory conclusion.

There is also a risk that due to the bargaining positions of the parties, the brand owner will be placed in a position where it must relinquish its rights and accept the perpetrator's actions rather than lose the relationship with the perpetrator.

Behind closed doors

A brand owner may alternatively look to established alternative dispute resolutions procedures such as arbitration or mediation.

The arbitration process is essentially similar to litigation, with each party putting its arguments before the arbitrator and the arbitrator ruling on the liability of the parties and ordering an appropriate remedy for the innocent party.

While expensive, this procedure is favoured by many commercial parties as it is private and does not attract the adverse publicity that public proceedings may provoke. However, precisely because the proceedings are private, the brand owner will not make its competitors and other potential infringers aware of its determination to enforce its rights, which may lead to a greater incidence of infringement of its IP and branding rights.

Mediation, meanwhile, is a form of confidential negotiation

Taking a staged approach

When a brand owner first becomes aware of a lookalike product, it should avoid rushing into a decision on how to deal with the situation. A staged approach is the most likely to keep any commercial relationship in place. First the brand owner should notify the perpetrator of its objections. Depending on the potential harm being done to the brand owner's business, allowing a little time for negotiation to seek a resolution to the issue may be the cheapest and best

way to achieve the desired result and maintain a commercial relationship.

In light of these negotiations, the brand owner may decide that a non-litigious approach such as arbitration or mediation is the preferable route. However, there will be times when the infringement of the brand owner's IP rights is so damaging to the brand owner's business that its only available option is to take action in the courts and seek injunctive relief.

facilitated by an independent and impartial third party (the mediator). During mediation, the parties negotiate to find a middle ground facilitated by the mediator. This process has a relatively high success rate, and because the parties themselves determine the terms of the settlement, they tend to be able to maintain their trading relationship after the dispute.

In many instances, however – especially where a party has strong views on the terms on which it would be willing to settle – the mediation process can be ineffective as there is no middle ground. In relation to this type of dispute, the brand owner usually looks to have the packaging of the infringer's product redesigned, so although there is still potential to reach an amicable solution, the usual benefit of mediation – that is, its scope in the variety of the terms of settlement – is limited in this type of case.

If the mediation process breaks down, the brand owner is then left back in its initial position of deciding how best to proceed.

Commencing proceedings

In some situations, then, the brand owner may be left with no alternative but to issue proceedings. If the product's packaging is very similar to the get-up of the brand owner's packaging and the product is of a lower quality, then arguably the damage that may be done to the brand owner's reputation means that the brand owner must enforce its IP rights.

Legal proceedings are expensive – certainly in respect of IP matters – and despite the relative strength of a party's claim, the outcome can never be certain. Going to court will also inevitably harm the commercial relationship between the parties and result in considerable publicity.

That said, if the brand of a product is vital to its success, then the brand owner may need to be seen to be taking action against those exploiting its intellectual property.

Ultimately, the question of how best to deal with the situation will depend on the facts and the surrounding circumstances of each case. Going forward, however, it will be of interest to note whether registration of the whole packaging design of a product affords greater protection. [WTR](#)

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