

Advocate General's opinion in perfume smell-alike case

Summary

Advocate General Mengozzi has given a controversial opinion in *L'Oréal SA and others v Bellure NV and others*, Case C-487/07, after a reference to the ECJ from the Court of Appeal. The Advocate General dealt with issues of trade mark infringement under the Trade Marks Directive ('TM Directive'), and comparisons under the Misleading and Comparative Advertising Directive ('the CAD') in connection with various copycat "smell-alike" perfumes.

Under the TM Directive, the Advocate General stated that use of L'Oréal's marks in comparative advertising only constitutes infringement if it affects the essential function of the marks. The functions are wider in scope than merely the indication of origin, but the Advocate General acknowledged that case law has yet to define the extent. Also, when a trader uses similar packaging to a well known mark which gives a 'boost' to his product because of the link, that 'boost' will be unfair when there is no 'due cause' for use of the mark. If due cause can be shown, the national court must decide whether or not the use is unfair on the facts.

Under the CAD, the Advocate General made two points. First, it is not unfair advantage for a trader simply to compare his product with another well known mark in a comparison list. If there is an advantage, and the public associate the advertiser's products with the competitor's reputation, the national court must decide whether it is unfair on the facts. Secondly, an advertiser can state that his product shares an essential characteristic of a competing product, but must not explicitly refer to imitating or copying a competitor's product.

Background

L'Oréal SA and other related companies (L'Oréal) manufacture and sell high-quality perfumes and cosmetics, aimed at the luxury market. L'Oréal had registered a number of trade marks in class 3 to protect their products, Trésor and Miracle, including stylised word marks and several device and shape marks, and a 3D shape mark for Miracle based upon the shape and get-up of the products. Three defendants in the action produced 'smell-alike' perfumes with fragrances similar to a number of designer brands, and imported them into the UK. The remaining defendants had distributed or sold such products in the UK. The discount range was sold through low value supermarkets, discount stores, street markets and via the internet, priced between £2-£4. Although similar in fragrance, the bottles and packaging were clearly not identical, although Bellure had admitted that they were intended to give 'a wink of an eye' to L'Oréal's products.

High Court

L'Oréal issued proceedings in the High Court. Lewison J found in favour of L'Oréal in relation to the trade mark infringement claim, concluding that Bellure had taken a 'free ride' on the back of L'Oréal's fine fragrances by using the word marks on comparison lists or in response to customers' queries. However, L'Oréal's claim in relation to alleged passing off failed. The decision also held that certain of L'Oréal's shape marks were marks with a reputation. Both the defendants and claimants appealed.

Court of Appeal

The majority of issues addressed by Lewison J at trial were upheld. Much of the judgment focused on the use of L'Oréal's trade marks in the price comparison lists. L'Oréal's cross-appeal was dismissed, while the defendant's appeal was stayed pending the referral of a number of questions to the ECJ. The court sought clarification on the subject of the comparison lists, and when 'free-riding' becomes impermissible, and also on what amounts to unfair advantage under the TM Directive and CAD.

Attorney General's Opinion on the questions to the ECJ:

Questions relating to the TM Directive

Questions 1 and 2: Is use of a third party mark infringement if the mark's essential function is not affected?

Article 5(1)(a) of the TM Directive means that use of an identical mark for identical goods and services is only infringement where it affects or is liable to affect the mark's essential function as a guarantee of origin, or any of the mark's other functions.

The Advocate General stated that this "is the case even if such use plays a significant role in the promotion of the advertiser's goods and, in particular, permits that advertiser to take unfair advantage of the mark's reputation".

The Advocate General confirmed that the same reasoning applies for the use of identical marks as for similar marks, which were discussed in the O2 case. He considered case law on the functions of a trade mark, including *Arsenal v Reed*, *Anheuser-Busch*, and *Adam Opel* and stated that the scope of protection extends beyond mere guarantee of origin, but the extent of this protection to other functions, such as communication of information, reputation or quality, is unclear.

Question 5: Does the use of similar packaging to L'Oréal's marks amount to unfair advantage under Article 5(2), if there is no harm to the marks?

This question related to the packaging (boxes and bottles) of some of the defendants' perfumes. The Court of Appeal asked whether it is unfair advantage even where no detriment is suffered by the earlier mark.

The concept of unfair advantage focuses on the benefit to the third party's sign rather than on harm to the well-known mark. However, it is not enough that consumers associate the marks. The marketing of the advertiser's goods must be 'made easier' by the use of the earlier mark, although the mark does not have to be the sole reason that consumers buy the advertiser's products. In other words, the link between the marks gives the advertiser's mark a 'boost'.

The 'boost' will be unfair when there is no 'due cause' for use of the mark. If due cause can be shown, the national court must decide whether or not the use is unfair in light of all the relevant circumstances. However, the Advocate General does not define 'due cause', and the term has never been defined by the ECJ, hence his guidance on this point simply replaces one undefined term with another.

Questions under the CAD

Question 3: Under the CAD, what is the meaning of unfair advantage? Is use of a mark in comparison lists taking unfair advantage?

Under Article 3(a)(1)(g) of the CAD, it is not unfair advantage for a trader simply to compare a product with another well known mark in a comparison list. 'Unfair advantage' means more than just an advantage conferred by use of another's mark.

If an advantage exists, and the public associates the reputation of the well known mark with the advertiser's products, the national court must decide whether that advantage is unfair in light of all the relevant circumstances. The primary factor to take into account is the benefit of the comparative advertising to consumers, although any benefit may be balanced against other relevant factors, such as

how well the competitor's mark is known compared to the advertiser's mark, or whether it is necessary or useful to use the well-known mark.

Question 4: Under the CAD, what is the meaning of presenting goods as replicas/imitations?

Article 3(a)(1)(h) of the CAD prohibits the *presentation* of goods or services as imitations or replicas. This includes explicit admission of imitation, such as describing a product as a '-type' or '-style' product. However, an advertiser can simply state that his product is equivalent to a competitor's product, or that it shares a characteristic, as long as he does not refer to it being a copy or replica. The Advocate General considered that this is not *presenting* the product as an imitation or replica of another.

Comment

This opinion focuses on the complex issue of comparative advertising, lookalike products and the permissibility of comparison lists as a way for competing traders to market their products alongside trade mark owners.

The Advocate General seeks to balance the interests of leading brand owners and traders hoping to sell copycat products, and seems to suggest that the ECJ adopts a discouraging position towards traders of copycat products, who must not associate their products too closely with leading brands, and certainly not make open admissions of imitation. However, again the Advocate General has suggested that, over and above the legislation, a brand owner must also demonstrate an effect on the essential function of the mark.

The Advocate General stakes his interpretation of 'taking unfair advantage' under the TM Directive upon the existence of 'due cause', yet does not define it. The English courts have taken a narrow view of when 'due cause' may be shown, essentially limiting it to earlier rights or necessity, which would result in almost all advantages being 'unfair'. It could be argued by third party users of marks that the use of the mark as a basis for product comparison is in itself 'due cause', as it provides consumers with information to choose between competing products. This opinion does not clarify the issue, so it is hoped that the full ECJ decision will do so.