

O2 Holdings Limited v Hutchison 3G Limited

The Court of Appeal has referred three questions to the ECJ highlighting the difficulties in interpreting the meaning of the various conditions laid down by the Comparative Advertising Directive (“CAD”) and the relationship between the CAD and the Trade Marks Directive (“TMD”).

O2 Holdings Limited v Hutchison 3G Limited; [2006] EWCA Civ 1656; Court of Appeal; Before: Lord Justice Mummery, Lord Justice Jacob and Sir Christopher Staughton

Context

Art 5 TMD provides that a registered trade mark confers on the owner exclusive rights in that mark and entitles that owner to prevent all third parties not having his consent from using in the course of trade:

- (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
- (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

Art.6 TMD limits the effects of a trade mark as a trade mark will not allow the owner to prohibit a third party from using, in the course of trade,

- (a) his own name and address;
- (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering the service, or other characteristics of goods or services;
- (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts;

provided he uses them in accordance with honest practices in industrial or commercial matters”.

What is the relationship between the provisions of the CAD which set out the conditions pursuant to which a party may make a comparative advertisement (i.e. comparing his goods or services with those of his competitor) and the rights of a trade mark owner not to have his mark used without his consent?

The Facts

H3G launched its new ThreePay pay as you go service with a campaign which included TV commercials referring to its main competitors. The action concerns O2's complaint of registered trade mark infringement arising from a TV commercial in which H3G referred by name to O2 and also used moving bubble images.

O2 accepted that the price comparison was true and that as a whole the advertisement was not misleading in any way. No form of trade connection between O2 and H3G was suggested and the average member of the public would see the use of O2 and the bubbles as a reference to O2 and its imagery and realise that this was an advertisement from a trade rival saying it was cheaper.

Held by the High Court that:

- the use of bubbles images in the advertisement fell within Article 5(1)(b) of the Trade Marks Directive ("TMD");
- the advertisement complied with the CAD; and
- such compliance provided a defence as being within Art.6(1)(b) of the TMD

i.e. H3G won.

O2 appealed the finding that there was a defence.

H3G argued that the Judge was wrong to find that the advertisement fell within Art.5(1)(b) at all (as well as resisting O2's appeal) for the following reasons:

- (i) purely descriptive use of a sign, as in the present case, does not fall within Art.5(1) (either limb);
- (ii) if that is wrong, the "global appreciation" test called for by Art.5(1)(b) requires you to look at the complete context of use and if no one is likely to be misled, there is no "likelihood of confusion" as required by the provision;
- (iii) Art.6(1)(b) provides a defence independently of the CAD and the advertisement complies with the former (so it was argued);
- (iv) Compliance with the CAD provides a defence within Art.6(1)(b) whether or not the former provides a defence to claims for infringement of other IPRs;
- (v) The requirements of the CAD do not include a requirement of necessity or indispensability;
- (vi) If they do, then there is such necessity in relation to the use of the bubbles imagery in that they make the comparison more effective.

The Decision

Various matters - in particular, the meaning of the various conditions set out in Art. 3a of the CAD - were held not to be *acte claire* and therefore, the Court has made a reference to the ECJ.

The three questions referred are as follows:

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First question referred to the ECJ

“Where a defendant in the course of trade uses a sign in a context purely for the purpose of comparing the merits (including price) of his goods or services with those of the trade mark owner and in such a way that it cannot be suggested that the essential function of the trade mark to guarantee the trade mark as an indication of origin is in any way jeopardised, can his use fall within either (a) or (b) of Article.5.1 of the Directive 89/104?”

Lord Justice Jacob’s view is “No”.

Second question referred to the ECJ

“Where a defendant uses, in a comparative advertisement, the registered trade mark of another, in order to comply with Art. 3a of Directive 84/450 as amended (i.e. the CAD), must that use be “indispensable” and if so what are the criteria by which indispensability is to be judged?”

Lord Justice Jacob’s view is “No”, based on the principle of construction laid down in Toshiba and Pippig, i.e. “the conditions required of comparative advertising must be interpreted in the sense most favourable to it”.

Third question referred to the ECJ

“In particular, if there is a requirement of indispensability, does that requirement preclude any use of a sign so similar to the registered trade mark as to be confusingly similar to it?”

Lord Justice Jacob’s view is “No”

Comment

There appear to be a number of points which have been clarified by the Court of Appeal and some issues remain outstanding pending an answer from the ECJ.

- Unclear:

Is it ever possible to say in the context of a comparative advertisement that only a descriptive use of the owner’s trade mark is being made?

What is the scope of the various Art. 3a conditions and, in particular, do they import a requirement that the use of the registered mark in the context of a comparative advertisement must be “necessary” or “indispensable” to the advertisement in question?

Must a mark be used exactly as registered in a comparative advertisement in order for that use to escape infringement or will use of a sign confusingly similar to the registered mark also be permitted for the purposes of making a comparative advertisement, assuming the provisions of the CAD are complied with?

It is not clear whether Protected Designations of Origin are intended to be excluded from the CAD – this issue was not referred to the ECJ but was nevertheless highlighted as a “problem for another day”.

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- Clear:

If you are not Art. 3a compliant, then you are not using “indications concerning the kind, quality, quantity, intended purpose, value, geographical origins, the time of production of goods or of rendering of the service, or other characteristics of goods or services” (Art. 6.1 TMD) in accordance with honest practices in industrial or commercial matters. Therefore, even a non-misleading but disparaging use would be caught now.

If a comparative advertisement complies with the CAD, it seems that will constitute a defence to a trade mark infringement action, notwithstanding the fact that the CAD contains no specific provision to that effect.

Section 10(6) TMA 1994 has been held to add nothing to the CAD: BA v Ryanair [2001] FSR 541 and Lord Justice Jacob said it is a pointless provision and should be repealed. Of course, it does not apply to a CTM in any event.

The CAD does not require Member States to create an independent right of the “target” of the comparative advertisement to sue or prosecute where the advertising is non-3a compliant. The position is simply that a non-complying defendant cannot invoke the CAD by way of a defence.

It is implicit from the CAD, and in particular Recital 23, that if the advertisement is not Art. 3a compliant, then the comparative advertisement itself is not permitted.

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