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L'Oreal's Success in Extending Protection for European Community Trademarks is Reluctantly Acknowledged by English Court

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ARCHIVES

2010 2006 2002
2009 2005 2001
2008 2004 2000
2007 2003

On May 21 2010, the Court of Appeal for England and Wales decided the case of *L'Oreal SA and Others v. Bellure N.V. and Others*. In this case, Field Fisher Waterhouse acted for the Defendants. The Defendants sold inexpensive perfumes that smelled like certain famous brands. L'Oreal brought an action against them at the end of 2003 for trademark infringement, passing off, and "unfair competition." Shortly before trial, L'Oreal discovered that the Defendants also were using their trademarks in a list to identify which of the Defendants' perfumes corresponded in smell to L'Oreal's perfumes—referred to as comparison lists. An additional claim for trademark infringement was added.

After the trial in July 2006, the Defendants appealed certain claims on which L'Oreal had been successful. The Court of Appeal referred five questions to the European Court of Justice (the highest court in Europe to decide questions of EU law) on the basis of the following findings of fact at trial: the two products and the comparison lists did not impair or put at risk the essential function of the registered trademark of providing a guarantee of origin, did not tarnish or blur the registered trademarks or their reputation, and did not impair the trademark owner's sales or deprive the trademark owner of any reward for the promotion, maintenance, or enhancement of his trademark. However, the Defendants did get a promotional advantage from their use.

On June 18, 2009, the ECJ ruled as follows:

(a) In relation to the Article 5(2) claim, the concept of "taking unfair advantage" of the reputation or distinctive character of a well-known mark did not require the trademark owner to provide proof of any damage to his trademark or his business. It was enough that the Defendants' packaging was made to look sufficiently similar to the well-known mark, creating a link between the two in the mind of the consumer, from which the Defendants derived commercial benefit. The ECJ referred to this as "free riding" on the back of the reputation of the well-known mark, even though there was no confusion or deception.

(b) In relation to the claim under Article 5(1)(a) concerning the comparison lists, the ECJ ruled that the English Court should consider whether the use of L'Oreal's trademarks impaired not only the origin function of the trademark, but also the functions of communication, investment, or advertising. If any of these latter functions were impaired, the claim fell within Article 5(1)(a) and the English Court had to then consider whether all of the conditions laid down by the comparative advertising directive were met so as to render use of L'Oreal's trademarks in the comparison lists lawful. The ECJ ruled that a smell-alike perfume ran afoul of the condition that required the product being advertised by the Defendants not to be presented as an imitation or copy of the product against which it is compared, and as a result took unfair advantage of L'Oreal's trademarks—another condition.

Upon remand by the ECJ, the Court of Appeal again considered the Defendants' argument that the Court had already held that the comparison lists had no effect whatever on the reputation or distinctive character of L'Oreal's trademarks, and thus their use of L'Oreal's trademarks fell outside Article 5(1)

(a). Notwithstanding this, the Court of Appeal, in a judgment delivered by Lord Justice Jacob, felt bound to dismiss the Defendants' appeal, albeit with great reluctance. The ECJ had, they said, made it clear that the comparison lists were bound to interfere with the "communication, investment and advertising" function of L'Oreal's trademarks, although Lord Justice Jacob declared that he had some difficulty in understanding these concepts as all comparative advertising impinges to some extent on the value of the trademark owner's brand. He also criticised the ECJ for ruling that the comparison lists did not comply with the conditions in the Comparative Advertising Directive: "*If a man trades in **lawful** replicas or in **lawful** copies, why should he not be able to inform the public what they are? in my view it should be made explicit that telling the truth about a lawful product does not involve any 'unfair advantage.'*"

Lord Justice Jacob expressed his own views as follows: "*My own strong predilection, free from the opinion of the ECJ, would be to hold that trade mark law did not prevent traders from making honest statements about their products where those products are themselves lawful.... Countries with a healthy attitude to competition law, such as the US, would not keep a perfectly lawful product off the market by the use of trade mark law to suppress truthful advertising.*"

Both aspects of the ECJ Ruling have caused concern among IP practitioners in the UK. As Lord Justice Jacob stated in his judgment, "*It is about freedom to trade—indeed, potentially in other cases, to compete honestly.*" Using trademark law to "muzzle" use of third-party marks in advertising creates the danger that important areas of trade will not be open to proper competition.