Bird & Bird

Report of Trade Mark Cases

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Trade mark decisions

Samsung liable for third party apps on Samsung Galaxy App Store

Montres Breguet SA & Ors v Samsung Electronics Co Ltd & Anor (Lewison, Arnold & Laing LLJ; [2023] EWCA Civ 1478; 15 December 2023)

The Court of Appeal, Arnold LJ giving the main judgment, dismissed Samsung's appeal against the first instance decision that Samsung infringed the claimants' trade marks by making available third party watch face apps on the Samsung Galaxy App Store which were downloadable onto Samsung smartphones. Katharine Stephens reports.

Background

The claimants were all members of the Swatch Group and owned EU trade marks for, amongst others, Swatch, Tissot, Omega and Breguet, registered for watches and smartwatches. Samsung made digital watch face apps available for download on the Samsung Galaxy App Store. The apps had names and/or when downloaded to a smartwatch displayed the signs on the watch face which the Swatch Group claimed were identical or similar to one or more of their marks. An example is shown below (genuine Glashütte Original watch on the left and allegedly infringing digital watch face on the right):

Falk J held ([2022] EWHC 1127 (Ch), The CIPA Journal Jan/Feb 2023) that Samsung was primarily liable under Articles 9(2)(a), (b) and (c) of the Regulation (as the action was commenced before Brexit). She also held that Samsung could not rely on the hosting defence in Article 14(1) of the e-Commerce Directive. Samsung appealed on three grounds.

Issue 1: Use by whom?

Samsung submitted that the Judge had wrongly attributed the use of the contested signs to them, rather than to the relevant app developer.

The Court of Appeal upheld Falk J's view that Samsung's actions went well beyond the inherent operation of an app store and had a bearing upon the context in which the signs were used. She was fully entitled to conclude that Samsung was not just providing the necessary technical environment but had a clear commercial interest in the watch face apps, their availability, presentation and use by consumers. Thus, Samsung had used the signs within the meaning of Articles 9(2)(a), (b) and (c).

Samsung also failed in its submission that Falk J was wrong to take account of matters which the average consumer would not be aware of and therefore would not cause the consumer to form a link between the sign and Samsung. The Court of Appeal held that Falk J was not merely entitled, but correct, to consider matters which, even if they were unknown to consumers, nevertheless affected consumers' perception of the signs.

Issue 2: Use in relation to what?

On appeal, there was no dispute that the signs complained of were used in relation to the apps. It was also accepted that the wearer of a smartwatch would not rely upon the sign as denoting its origin. However, Samsung contended that the Judge was wrong to find that the signs were used in relation to smartwatches on the basis that persons other than the wearer might take the sign on the watch face to denote the origin of the smartwatch.

The Court of Appeal upheld the Judge's view that the point of the apps in question was to create a realistic simulacrum of a watch face on a smartwatch which was designed by Samsung to be "truly watch-like". A person who saw another wearing such a smartwatch may well not know that the watch was made by Samsung and would, if interested, look at the mark on the watch face and see a sign identical or similar to one of the Swatch Group's marks. Accordingly, they would be led to believe that this denoted the origin of the smartwatch unless told otherwise. The fact that this might be a relatively infrequent occurrence was neither here nor there.

Issue 3: Hosting defence

Samsung contended that it had a defence to financial remedies (not the injunction) under Article 14(1) of the e-Commerce Directive. On appeal, it was common ground that Samsung: (i) provided an "information society service"; (ii) did not have "actual knowledge" of the infringing acts prior to being notified of them by Swatch; and (iii) acted expeditiously to remove the relevant information upon being notified.

The Court of Appeal (Arnold and Laing LLJ) held that Samsung's acts were not within Article 14(1) at all. This followed from the decision of the CJEU in Google France SARL v Louis Vuitton Malletier SA (Joined Cases C-236/08 to C-238/08), where at [113] it said that "the exemptions from liability established in [the e-Commerce] Directive cover only cases in which the activity of the information society service provider is 'of a mere technical, automatic and passive nature', which implies that that service provider 'has neither knowledge of nor control over the information which is transmitted or stored'." Since Samsung's acts of use of the disputed signs were active, and gave it knowledge of and control over that content, they could not be classed as merely technical, automatic and passive.

In so finding, the Court of Appeal rejected Samsung's submission that it should not be penalised for undertaking content review in order to try and prevent illegality, as it was in the interests of the rights holders and in the public interest that app store operators should undertake content review. As the Court of Appeal noted, where providers wished to make the commercial choice to undertake content review, they had to accept the risk that they may not be able to rely upon Article 14(1).

As Article 14(1) did not apply, it was unnecessary to say anything about the Judge's reasoning on the issue of whether Samsung was "aware of facts or circumstances from which the illegal activity … is apparent" as provided for in the second limb of Article 14(1)(a).

However, in a short judgment, Lewison LJ, whilst agreeing with the majority that the appeal should be dismissed, noted that in respect of Article 14, the first limb of Article 14(1)(a) required the court to ask what facts or circumstances the service provider was actually aware of. This had nothing to do with a diligent economic operator. The second limb then required the court to ask whether, on the basis of those facts and circumstances, the illegal activity would have been readily identifiable by a diligent economic operator? Therefore, in his view, in so far as Falk J went to prescribe a series of steps that Samsung ought to have taken (but did not), he considered that she was in error.

Rectification of the register under equitable principles

Quantum Advisory Ltd ("Quad") v Quantum Actuarial LLP ("LLP") (Newey and Nugee LJJ, Sir Christpher Floyd; [2024] EWCA Civ 247; 14 March 2024)

The Court of Appeal held that the ownership of a trade mark registration could be rectified under equitable principles in a case involving a breach of fiduciary duty, and where the circumstances did not fall under Section 10B of the Act. Aaron Hetherington reports.

Background

The background to this case was detailed in The CIPA Journal September 2023, which reported on the High Court's decision [2023] EWHC 47 (Ch). The defendant, LLP, was formed in 2007 as part of a reorganisation of three businesses that provided services relating to pension funds. LLP was incorporated with the intention that it would receive a turnkey business from Old Quad, the owner of the goodwill in QUANTUM ADVISORY (the "Mark"); LLP would service Old Quad's existing clients, with Old Quad taking the profit and paying LLP back for its expenses in providing the services relating to this legacy business. LLP could also take on its own new clients, thereby growing its new business. LLP was given the right to use the Mark as part of this. An agreement (the "Services Agreement") was formalised in November 2007 between Old Quad and LLP. Shortly after, the assets and business, including the goodwill, of Old Quad were transferred to the claimant, Quad. It was common ground that Old Quad, Quad and LLP had all traded under the Mark.

Between June and November 2018, LLP filed applications for various marks in its own name without Quad's knowledge. These included applications for stylised marks featuring the words QUANTUM ADVISORY and the Q device mark shown below:

Quad claimed that LLP had applied for the marks as its agent and/or representative, and thus Quad was entitled to ownership of the marks in equity. Further or alternatively, Quad argued that the Register should be rectified under Section 10B to reflect its ownership of the Mark.

Judge Keyser KC, sitting as a High Court Judge, held that a fiduciary relationship existed between Quad and LLP, and that LLP was entitled to use the marks only while the Services Agreement subsisted. There was also a collateral licence that allowed LLP to use the Mark for its own (non-legacy) business for the duration of the Services Agreement. The Judge held that Quad was entitled to relief under section 10B to rectify the Register in relation to the three marks featuring the words QUANTUM ADVISORY, but not the Q device mark as it was not similar to the Mark so did not qualify for relief under Section 10B.

Quad appealed in relation to the fourth Q device mark. LLP appealed the decision to grant rectification for the other three marks, in respect of the finding that there had been a fiduciary relationship between LLP and Quad, and that LLP had only been entitled to use the marks during the subsistence of the Services Agreement.

Fiduciary duty

The Court of Appeal held that under the Services Agreement a fiduciary duty had existed between the two parties and that LLP had "undertaken to act for or on behalf of another in a particular matter in circumstances which give rise to a relationship of trust and confidence". Consequently, Quad could have expected LLP to act in Quad's interests in respect of the legacy business to the exclusion of LLP's own or a third party's interests.

Was LLP entitled to use the mark after the expiry of the Services Agreement?

The Judge had held that the licence granted to LLP to use the Mark was coterminous with the Services Agreement. The Court of Appeal held that it was not entitled to interfere with that finding of fact because it had been rooted in the Judge's careful assessment of the relevant evidence and was the subject of a full explanation. The Court of Appeal also held that the Judge's conclusion made common sense, and it would not have been satisfactory for LLP and Quad to both trade under the Mark after the Services Agreement had come to an end.

LLP's argument that it had acquired goodwill in the Mark by reason of its use of it for its own business, i.e., its servicing of new clients, as opposed to Quad's legacy clients, was dismissed. The Court of Appeal reiterated that goodwill that was established through a licensee's use accrued to a licensor, in the absence of an express agreement to the contrary. The Services Agreement said nothing in this regard.

Rectification of the Register for the Q device mark

The Court of Appeal upheld the decision that the Q device mark was not sufficiently similar to QUANTUM ADVISORY.

In a further attempt to fall under Section 10B, Quad argued that it was the owner in equity of the goodwill in the Mark and the associated branding, including the Q device mark, because of the fiduciary relationship between the parties. However, the Court of Appeal dismissed this submission because it had not been put before the Judge in that particular way.

Nevertheless, the Court of Appeal held that Quad was entitled to rectification of the Register for the Q device mark because, in applying to register it, LLP had breached its fiduciary duty to Quad. In particular, this was because the Q device mark was part of a package of branding used to promote all the services provided under the Mark. LLP had derived a benefit from owning the registration without Quad's consent, and its ownership of the registration was contrary to Quad's interests: LLP had put itself in control of an asset which was in use in and of value in protecting Quad's business. Quad could also have been challenged for its own use of the device by reason of LLP's ownership of the asset.

The Court of Appeal commented that this conclusion would not offend the principle set out in Marussia Communications Ireland Ltd v Manor Grand Prix Racing Ltd [2016] EWHC 809 (Ch) in which Males J (as he then was) held that, where a defence of consent had been recognised and defined by a provision of the CTMR, there was no room for the application of more elaborate, home-grown principles of consent, such as acquiescence and estoppel; a defence either fell within the defence of consent as defined by the European legislation or it did not. In this case, Quad's claim did not fall under Section 10B, and there was nothing to preclude the grant of relief under national equitable rules in a case where Quad could not have claimed relief under existing legislation.

Comparative advertising

Gibraltar (UK) Ltd & Vet Plus Ltd v Viovet Ltd (James Pickering KC, sitting as a Deputy High Court Judge; [2024] EWHC 777 (Ch); 9 April 2024)

In claims for the breach of comparative advertising rules and trade mark infringement, James Pickering KC determined a preliminary issue relating to which characteristics of the parties' products were being compared in Viovet's advertisements. Kaya Sapanoglu reports.

Background

The first claimant, Gibraltar, owned trade mark registrations for various marks which were used for veterinary nutraceutical products (the "VetPlus Products"). The VetPlus Products were produced by Gibraltar and supplied by the second claimant, Vet Plus.

The defendant, Viovet, sold its own brand and retailed third party branded veterinary nutraceutical products, including the VetPlus Products. Viovet conducted a series of advertising campaigns on its website - in particular, when a customer selected a VetPlus Product on Viovet's website, they were presented with text stating "Save £[x] per day", "Swap and Save [£]" or "Try something new". If a customer clicked the button, they would be redirected to Viovet's own brand products.

GUK and VetPlus claimed that by referring to the VetPlus products in those advertisements, Viovet had used its trade marks for comparative advertising purposes in a manner which contravened regulation 4(d) of the Business Protection from Misleading Marketing Regulations 2008, and which therefore amounted to trade mark infringement. The preliminary issue before the Court was to determine which features of the parties' products were being compared, either expressly or by implication.

Decision

The Court held that the average consumer would have regarded Viovet's advertisements as statements that Viovet's own brand products offered in the alternative were comparable in nature and/or composition and/or specification to the relevant VetPlus Product including the efficacy and quality of the products.

The Court emphasised that the average consumer seeking health products for their pets, often based on veterinary recommendations, would have prioritised quality and efficacy. When presented with Viovet's own brand products as cheaper alternatives on the website, consumers would therefore have assumed that they were of comparable quality and/or efficacy to the VetPlus Products.

Phrases such as "[s]ave £[x] per day" and "[s]wap and [s]ave" implied that Viovet's alternative products were equally beneficial at a cheaper price, since purchasing an inferior product at a lesser price would not have constituted a saving: it would instead have been a compromise.

All decisions are to be found on https://www.bailii.org

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