Waterford Stellenbosch and confusion under the Community Trademark Regulation

In a high-profile dispute between an Irish crystal manufacturer and a South African wine producer, the ECJ has clarified that there must be at least a low degree of similarity between the goods before a trademark opposition can continue

By **Jukka Palm**, Berggren Oy Ab

In May 2009 the European Court of Justice (ECJ) issued its judgment in a long-running and much-publicised trademark opposition action between Irish crystal producer Waterford Wedgewood and Assembled Investments (Proprietary) Ltd, a South-African wine producer that owns the trademarks used by Waterford Wines (Pty) Ltd.

In 1999 Assembled Investments had filed a Community trademark application in Class 33 for alcoholic beverages – namely, wines produced in South Africa's Stellenbosch region – for the mark below.

Waterford Wedgewood opposed the application on the basis of Article 8(1)(b) of the Community Trademark Regulation, relying on its earlier WATERFORD (word) trademark. Waterford's mark was registered in Class 21 for articles of glassware, earthenware, chinaware and porcelain.

According to Article 8(1)(b) of the Community Trademark Regulation, "upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered if, because of its identity with or similarity to the earlier trade mark and the identity or similarity of the goods or services by the trade marks, there exists a likelihood of confusion, including a likelihood of association on the part of the public in the territory in which the earlier trade mark is protected".

Waterford argued that goods made from glass in Class 21 (including wine glasses) are similar to wine in Class 33. It stated that such goods are complementary, as wine is drunk from wine glasses and wine glasses and wine are occasionally sold together and from the same stores. According to Waterford, its house brand WATERFORD had a reputation for glassware in the United Kingdom and consumers would believe that a wine bearing the same name originated from Waterford.

The Office for Harmonization in the Internal Market (OHIM) found in favour of the applicant and dismissed the opposition. The fact that wine is generally drunk from a glass was deemed insufficient to establish that the goods were complementary. OHIM also found the opponent's evidence of alleged reputation of its prior trademarks to be insufficient.

However, the Board of Appeal agreed with the opponent, stating that the goods and their respective channels of trade were somewhat similar. First, it found that the earlier mark and the mark for which registration was sought were highly similar on the visual, phonetic and conceptual levels for relevant consumers in the United Kingdom and Ireland. Second, the board stated that wines and "articles of glassware" are similar, as these goods are highly complementary. The Board of Appeal also found that the evidence submitted by Waterford Wedgwood on 12th April 2002 could be taken into account. According to the Board of Appeal, one of the documents established the strong distinctive character of the earlier mark in the United Kingdom and in Ireland. Based on that information, the Board of Appeal concluded that there was a

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likelihood of confusion. The OHIM Opposition Division's decision was annulled and the application was refused.

Wine and articles of glassware not similar goods

Following the defeat on appeal, in 2005 the South African wine producer was forced to take its case to the European courts. Two years later, the Court of First Instance (CFI) ruled (Decision T-105/05) that the high degree of similarity between the trademarks and the alleged reputation of the earlier trademark mark were irrelevant in this case, as an essential element needed for a finding of likelihood of confusion was missing: the goods were different.

The similarity of goods is to be assessed according to the *CANON* criteria. Account must be taken of all relevant factors that characterise the relationship between the goods, including:

- Their nature.
- Their intended purpose.
- Their method of use.
- Whether they are competing or complementary.

The CFI further emphasised the importance of actual marketing circumstances.

The parties agreed that their goods were not competing, that the character and use of such goods were different, that the goods were not substitutable and that they were produced in different areas. The CFI thus concluded that it should assess only whether the goods were complementary and whether they had the same distribution channels.

The CFI found that the goods were distinct by their nature and use, were neither competing nor substitutable, and were not produced in the same areas. As regards shared distribution channels, the CFI held that such sales represented a negligible proportion of the overall sales of the articles of glassware concerned. In cases where a wine glass and a bottle of wine are distributed together, the CFI found that this is normally perceived by consumers as a promotional attempt to increase sales of wine, rather than as an indication that the producer concerned devotes part of its activity to the distribution of glassware. Lastly, the CFI noted that while there may be a degree of complementarity between some articles of glassware and wine, this is not sufficiently pronounced to accept that, from the consumer's point of view, such goods are similar.

Threshold test in assessing similarity of goods

Following the defeat, Waterford commissioned top German lawyer Jochen Pagenberg to draft an appeal to the ECJ. According to Waterford's first claim, the CFI had misinterpreted the Trademarks Directive: the CFI should have assessed whether the public believed that the goods in question originated from the same undertaking or from economically linked undertakings, when they appeared on the market under identical trademarks and when the earlier trademark had a strong distinctive character and enjoyed a considerable reputation. According to Waterford, had the CFI asked this question it would have concluded that there was at least some similarity between the goods.

By contrast, Assembled Investments maintained that the similarity of goods must be assessed first by applying the *CANON* criteria; then by assessing evidence of market realities in respect of the similarity of goods; and finally by making an overall assessment of whether the goods

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are likely to have the same origin. There is thus no need to analyse whether there is a likelihood of confusion between the goods in question if their similarity has not been established beforehand.

Assembled Investments also stressed that in reality, the appellant was asking the ECJ to substitute its own assessment of the facts and evidence for that of the CFI. According to Assembled Investments, the question of whether goods are similar is not a legal question, but rather depends on the submissions of fact by the proprietor of the earlier mark. In the present case, the CFI took into consideration all circumstances of the sale and marketing of the goods in question and concluded that there was not sufficient evidence to prove that the distribution of wine glasses together with wine is normally seen by consumers as an indication that the producer concerned devotes part of its activities to the distribution of articles of glassware.

In other words, Assembled Investments argued that there is a threshold test. The similarity of goods is a separate issue that is to be considered first and according to the established *CANON* factors. After this legal assessment, the actual market evidence is to be considered. Only after these steps have been taken is a full assessment regarding the similarity of the marks, the distinctiveness of the earlier mark and possible confusion as to origin to be undertaken. The assessment should always proceed step by step and one should never jump to the likelihood of confusion analysis before first considering whether the goods or services are in fact similar.

The ECJ agreed with Assembled Investments. It referred to previous case law (*CANON*; *Sabel v Puma AG*, C-251/95, *Lloyd Schuhfabrik Meyer & Co v Klijsen Handel*, C-342/97), in which it had ruled that the likelihood of confusion on the part of the public must be assessed globally, taking into account all relevant factors of the case. Accordingly, a low degree of similarity between the goods or services covered may be offset by a high degree of similarity between the marks, and *vice versa*.

However, the ECJ stated that that even where a later trademark is identical or highly similar to an earlier mark with reputation, the opponent must first show at least a low degree of similarity between the goods in question. According to the ECJ, the strong distinctiveness or reputation of an earlier mark cannot trump "a total lack of similarity between the goods". Wine and wine glasses were considered to be "totally different" goods.

Opponent must submit sufficient evidence to prove case

According to a second claim, Waterford argued that the CFI had infringed Article 8(1)(b) of the Community Trademark Regulation and general principles of law by holding, without any evidential or factual basis and contrary to the opinion of the OHIM Board of Appeal, that consumers would not consider the goods in question to be similar. Moreover, according to the Irish crystal producer, the CFI's finding was not based on "any evidence at all".

Assembled Investments, by contrast, stressed that it was Waterford which had not submitted sufficient facts, evidence and arguments to the CFI to prove the similarity of the goods in question. It also noted that it falls to the proprietor of the earlier mark to prove that the goods are similar, not to the court. According to Assembled Investments, there was was nothing in the findings of the CFI to suggest that the facts, evidence or other information submitted to it had been distorted.

The ECJ agreed with Assembled Investments. It stressed that an appeal to the ECJ can be based on a point of law, and that the CFI has exclusive jurisdiction to assess facts and evidence, save where the facts or evidence has been distorted. The ECJ stated that the CFI's conclusion that wine and articles of glassware are not similar within the meaning of Article 8(1)(b) was based on a "detailed comparative assessment of the goods in question", which also took into account the evidence submitted by Waterford. On that basis, the ECJ rejected Waterford's second ground of appeal: that the CFI had distorted the facts.

Comment

There has long been discussion in trademark circles about whether the similarity of goods must first be considered separately (threshold test), or whether the similarity of goods and marks is to be considered simultaneously. This discussion arose from the 1999 *CANON* judgment.

The *WATERFORD* case shows that the similarity of marks and the similarity of goods are not assessed at the same time. The fact that there is no similarity of goods cannot be compensated for by similarity between the marks.

The opponent must first show at least a low degree of similarity between the goods. Even a high level of distinctiveness of an earlier trademark cannot trump a "total lack of similarity" of the goods.

This case shows that the similarity of goods is an independent prerequisite: effectively, a hoop that must first be jumped through before the opposition can continue. In addition the CFI has stressed that the evidence must relate to the origin of the products and not, for example, to the character or use of the products as such.

The author represented the defendant, Assembled Investments, before the ECJ. iam

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