

IN THE SUPREME COURT OF JUDICATURE
COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
CHANCERY DIVISION (INTELLECTUAL PROPERTY)
The Hon Mr Justice Lewison
HC03 C04344

Royal Courts of Justice
Strand, London, WC2A 2LL

10/10/2007

Before:

THE RT HON LORD JUSTICE KEENE
THE RT HON LORD JUSTICE JACOB
and
THE HON MR JUSTICE BLACKBURNE

Between:

L'OREAL S.A.
LANCOME PARFUMS ET BEAUTE & CIE Claimants/Respondents
LABORATOIRE GARNIER & CIE

- and -

(1) BELLURE N.V
(4) MALAIKA INVESTMENTS LIMITED
(trading as HONEYPOT COSMETIC &
PERFUMERY SALES)
(7) STARION INTERNATIONAL
LIMITED

Defendants/Appellants

Henry Carr QC and Jacqueline Reid (instructed by Messrs Baker & McKenzie LLP)
for the Claimants/respondents
Roger Wyand QC and Thomas Moody-Stuart (instructed by Messrs Addleshaw Goddard)
for the 4th and 7th Defendants
Hearing dates : 10/11/12 July 2007

HTML VERSION OF JUDGMENT

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Lord Justice Jacob:

1. This is an appeal by the remaining (4th and 7th) defendants from a decision of Lewison J, [\[2006\] EWHC 2355 \(Ch\)](#), [2007] RPC 328. The claimants, L'Oréal, cross-appeal a number of matters. Mr Roger Wyand QC argued the case for the defendants, Mr Henry Carr QC that for L'Oréal.

The Market Background

2. The Judge uncontroversially set this out at [4]:

Fragrances in the UK market are broadly divided into four categories. The precise boundaries between these categories are not sharply defined; and do not matter for present purposes. The four categories are:

Fine fragrance brands. These are premium price brands, with selective distribution, expensive packaging and presentation. They are heavily advertised and strongly promoted and are produced by the leading cosmetic and fragrance houses.

Volume prestige brands. These are brands with many of the characteristics of fine fragrances but with retail prices at the lower end of the fine fragrance range, and with a less restricted distribution.

Mass-market brands. These have relatively low retail prices, and are sold quite widely in various retail outlets. They are usually sold on a self-service basis and with less emphasis on brand imagery.

Replica fragrance brands. These are imitations, but not counterfeits, of fine fragrance brands and trade on their image. However, they are sold at retail prices well below those of the premium priced brands and are very competitive with similarly priced mass-market brands.

3. He went on to describe the costs and expense of developing a new brand of fine fragrance and how (as is the case with the products of many other industries) many fail and are paid for by the successful ones. The global costs of developing a fine fragrance are between €60m and €120m.
4. There is a great gulf between the fine fragrance and the replica markets. Fine fragrances are not only expensive to make, but are packaged most carefully. Every detail of the packaging is considered and worked out in fine detail – the bottles used are designed specifically, as also the packaging. Fine fragrances are available only through carefully controlled exclusive distribution outlets. The advertising spend is high both initially and thereafter. Everything is done to create and maintain a "luxury" image. The prices are correspondingly high.
5. The replica product, by contrast, is cheap to produce and sold in cheap packaging and bottles. There is no independent advertising. The outlets are "downmarket" – market traders, discount stores and some cheap internet sites.
6. It is worth actually giving an idea of the prices. A typical fine fragrance will cost £60 or more retail. A corresponding replica will be between £2-4 on a market stall if in a get-up which owes a little in appearance to the original or £1 or so if in a cheap, "independent" get up.
7. The public are not stupid. It is not suggested that anyone ever thinks a "replica" product of the kind with which we are concerned is the original or comes from or is approved by the same commercial source as the original. Nor is it suggested that anyone thinks a replica is anything other than a cheap imitation of the original or is likely to be of the same quality as the original, even though it may smell somewhat the same. So the parties' products are not in competition with each other. They are in different price and market sectors.

The L'Oréal fragrances and their registered trade marks.

8. There are four L'Oréal brands upon which the claims are based, namely *Trésor*, *Miracle*, *Anaïs Anaïs*, and *Noa*. They are all very well-known. The Judge sets out the details of these products at [15 – 33]. I do not need to set it all out here. The packaging of the products is also described. We had actual samples. But what actually matters for trade mark infringement are the registered marks. All the marks with which we are concerned are registered in Class 3 for perfumes and other fragrance products. In the case of *Trésor* and *Miracle* the registrations include registrations for the packaging. There is no material difference between the actual packaging and the registrations. Actually there are two forms of *Trésor* packaging, described by the Judge at [27], but nothing turns on the difference.
9. There are three *Trésor* registrations:

(1) UK Mark No. 1,440,039, registered under the 1938 Act in 1992. It is a word and device mark registered in colour. The device is as follows:



There is a disclaimer:

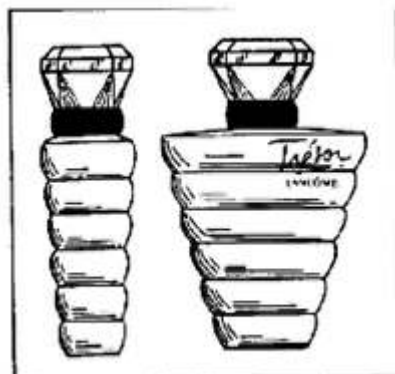
"Registration of this mark shall give no right to the exclusive use of the words "Tresor" (sic) and "Paris."

And a limitation:

"The mark is limited to the colours black, gold, pink, yellow, orange and mauve as shown in the representation on the form of application"

Slightly unnecessarily and ineptly it goes on to say "The French word 'Tresor' [again without an accent] appearing in the mark means 'Treasure'."

(2) UK No. 1426188, registered under the 1938 Act in 1991. It is a word and device mark, showing the *Trésor* bottle:



The words on the bottle read "*Trésor Lancôme*". And there is a disclaimer:

"Registration of this mark shall give no right to the exclusive use of the device of a container."

(3) UK No 1382742. This, for some reason (perhaps because it is in capitals, even though the typescript is very ordinary), is described as a "stylised word mark." The word is "Tresor" (again without an accent) and we are told "The mark consists of a French word meaning 'Treasure'". For practical purposes everyone treated the registration as simply a registration of the word *Trésor*.

10. There are three registrations relating to *Miracle*:

(1) CTM No 1776970. This mark consists of a picture of the front view of the *Miracle* bottle: The bottle is double-walled and has inscribed on it "Miracle" and "Lancôme". The picture is as follows:



(2) UK registration M748499 (the 'M' means the application was made via the Madrid convention, a so-called "international registration"). This is a front view of the *Miracle* box in colour and is as follows:



The registration certificate says under the heading "UK mark claim/limit"

The applicant claims the colour metallic pink Pantone 226C as an element of the mark

This is taken to mean that the registration is in that colour.

(3) CTM 1,286,897 consisting of the word mark *Miracle*.

11. There are two UK registrations for the *Anaïs-Anaïs* brand. They are in class 3 for perfumes under Nos. 1,098,105 and 1,257,894. They are both for the words "Anais-Anais". Why there

are two registrations does not matter. The absence of the diaeresis mark was treated as irrelevant to anything we had to decide.

12. The *Noa* brand has three associated registrations:

(1) UK No. 1,416,777 consisting of the words *Noa Noa*.

(2) CTM 002652170 and UK M702616 each consisting of the word *Noa* in a stylised form:



The image shows the word "NOA" in a serif font. The letter "O" is replaced by a solid black circle, creating a stylized logo.

So far as the present appeal is concerned, the infringement claim is rather limited. The marks were treated as just for the word *Noa* (a doubtful assumption, but one the parties were happy with). On appeal these marks only formed part of the comparison list claim.

The Defendants' Products in general

13. The Judge describes the defendants and their products at [34-42]. Only two defendants remain, the 4th ("Honeypot") and 7th (Starion). The Judge described their respective businesses thus:

Starion.

[39] ... It sells three main product ranges: *Stitch* (retailing at £1 or less), *Dorall* (retailing at £2 or less) and *Creation Lamis* (retailing at between £2.99 and £3.99). Its customers fall into two categories. First there are wholesalers who sell to their own retail customers: typically corner shop chemists, bargain shops, High Street gift shops and market traders. Second, there are discount retail chains. The ultimate consumer tends to be in demographic groups D and E. *Stitch* is the most popular range, with *Creation Lamis* in second place. The annual turnover of the *Creation Lamis* range is of the order of £450,000 per annum.

[41] The *Creation Lamis* range is illustrated in a glossy coloured brochure. The brochure illustrates both the bottle and the packaging of each product. It does not illustrate any comparators. In addition to the brochure, Starion exhibits at a trade fair once a year. Apart from that it does not advertise the *Creation Lamis* range.

Honeypot

[42] ... Its business is split between mail order customers and customers who come to its warehouse to buy. Most of Honeypot's customers have a shop, a unit in a mall or a market stall. It does not sell to supermarkets or pharmacies. Although it sells some designer fragrances, most of its business is the sale of mass market fragrances. It has sold products within the *Creation Lamis* range, although these are not among its best sellers.

The *Stitch* range

14. This is a range of smell-alike fragrances sold simply under numbers (*Stitch* No. 1, No. 2, No. 3 etc.). The numbers are not all consecutive. There are about 20 in all. The packaging, which is basic in appearance, has no resemblance to that of any fine fragrance. The retail price is very low indeed, less than £1 a bottle for 75ml of eau de parfum or bodyspray.

15. The only complaint made about this range concerns the use of comparison lists circulated to the trade (e.g. market traders). These lists set out for each *Stitch* No. the corresponding word trade mark of the fine fragrance which the *Stitch* product smells alike.
16. Of the two remaining defendants, only Starion sells *Stitch*.

The *Creation Lamis* range

17. This is a range of smell-alike fragrances started in 1996 in Belgium by a company called Bellure. Its packaging owes something to the original. That "something" is in the nature of a general resemblance, but not a resemblance such that either the trade or public would be deceived. Bellure was originally a party to these proceedings but is now insolvent and played no part in the appeal. It was accepted by a witness from Bellure that:

[36] the bottle and packaging of the original fragrance were chosen as a reference point; and that the bottle and packaging designed for Bellure was intended to give:

"a wink of an eye to existing branded product."

The purpose of doing this was to let those people who could recognise it know what the *Creation Lamis* range was intended to smell like. The commercial purpose behind this was:

"To make it sell easily for those who recognise it".

The Dorall Range

18. This was launched by Bellure in 2001. Again the packaging owes something to the original. Only one product is complained of. It is called *Coffret d'Or*.

The matters specifically complained of

19. L'Oréal complain of:

(a) The use of the word marks *Trésor*, *Anaïs Anaïs*, *Miracle* and *Noa* in the comparison tables issued by the defendants.

(b) The packaging and names used for five specific items sold by the defendants. The five items were described and shown in the judgment (the RPC version has poor photographs: the electronic version of the Judge's judgment shows them in colour. I have used these, though whether they are accessible generally I do not know). The Judge's description of the products I gratefully borrow:

Coffret d'Or

[43] *Coffret d'Or* is part of the Dorall range. It has a similar smell to *Trésor*. It is supplied in a waisted bottle and packaged in a coloured box. A photograph of its packaging is reproduced below.



La Valeur

[44] *La Valeur* is part of the *Creation Lamis* range. It, too, has a similar smell to *Trésor*. It is supplied in a hipped bottle. At one stage its packaging included a picture of a treasure chest; but following the commencement of this action its packaging has since been redesigned to eliminate that feature; although the overall shape and style of the package itself resembles a treasure chest.



Old Packaging

Old Packaging



New Packaging

New Packaging

Pink Wonder

[45] *Pink Wonder* is also part of the *Creation Lamis* range. It has a similar smell to *Miracle*. It has also come in two different forms of packaging, which are reproduced below.



Old Packaging

Old Packaging



New Packaging

New Packaging

Sweet Pearls

[46] *Sweet Pearls* is also part of the *Creation Lamis* range. It has a similar smell to *Noa*. Its packaging includes a theme of pearls. It is reproduced below.



Nice Flower

Nice Flower

[47] *Nice Flower* is also part of the *Creation Lamis* range. It has a similar smell to *Anaïs-Anaïs*. Its packaging has also changed over time. Both versions are reproduced below.



Old Packaging

Old Packaging



New Packaging

New Packaging

20. The Judge held that the use of L'Oréal's trade marks in the comparison lists, both for the *Stitch* range and the *Creation Lamis* and Dorrall ranges amounted to an infringement under Art.5(1)(a) of the TM Directive. (For simplicity I will just use the provisions of the Directive, rather than the 1994 Act or the TM Regulation.) He held that the old ("historical") packaging of *La Valeur* and *Pink Wonder* infringed under Art. 5(2) but that the current packaging of these products did not. The 4th and 7th defendants appeal. L'Oréal cross-appeals some but not all of the judge's adverse findings on the claims. In particular there is no cross-appeal about the packaging of *Sweet Pearls* and *Nice Flower*.

21. Formally the parties' position on trade mark infringement stand thus:

The following word marks relate to the Appeal under Art. 5(1)(a) (the "comparison list" appeal):

Mark	Trade mark	
UK 1098105	ANAIS-ANAIS	
UK 1257894	ANAIS-ANAIS	
UK M702616	NOA	
CTM 2652170	NOA	
UK 1416777	NOA NOA	
UK 1382742	TRESOR	
CTM 1286897	MIRACLE	

The following marks and products (the historic products) relate to the appeal under Art 5(2):

Mark	Trade mark description	Type	Appellants' product	Held infringed?
UK 1440039	TRESOR box	device	Old La Valeur box	Yes

CTM 1776970	MIRACLE bottle	device	Old Pink Wonder bottle	Yes
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The following marks and products relate to the cross-appeal under Art. 5(2):

Mark	Trade mark description	Type	Appellant's products	Held infringed?
UK M748499	MIRACLE box	device	Pink Wonder box versions 1 & 2	No
CTM 1286897	MIRACLE	word	Pink Wonder name	No
UK 1382742	TRESOR	word	Coffret D'Or name	No
UK 1426188	TRESOR bottle	device	La Valeur bottle versions 1 & 2	No

The Legislation

22. Art. 5 of the Trade Marks Directive (EC89/104) reads so far as is material:

5.1 The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled 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 the 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.

5.2 Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

23. And Art 6.1 provides:

6.1 The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,

a.;

b. indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;

c.

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

24. The national legislation implementing these provisions is s.10 (for Art.5) and s.11 (for Art.6) of the Trade Marks Act 1994. The Community Legislation (for CTMs) is Art. 9 (for Art.5 of the Directive) and Art. 12 (for Art.6 of the Directive). It is unnecessary to set these out.
25. Finally I should mention s.10(6) of the UK Act only to say that both sides were agreed that it added nothing (see what I said about this provision in *O2 v Hutchison* [2006] EWCA Civ 1656, [2007] RPC 407 at [58]).

The appeal concerning comparison lists – Art.5(1)(a)

26. This raises a very important topic indeed. I observed at the outset of my judgment in *O2* that, deep down, the question in that case involved the philosophy of how competitive the law allows European industry to be. The allowability or otherwise of comparison lists is another aspect of this. For it is not only smell-alike merchants who use that sort of list. One can think of many others who do the same sort of thing: a generic drug merchant for instance will need to tell his customers (and perhaps patients and doctors) that he is selling the generic (or perhaps his own brand) version of a drug well-known under a trade mark. For that purpose he will want and need to have a list of comparisons of well-known trade mark, generic name and (if any) his own brand name. And he will want to supply that list to his customers or at the very least use the information on it to say "this product is the generic version of X", X being the well-known brand. Or a dealer in print cartridges will maintain a list using the trade marks of the leading brands of printer, the various numbers used by those brands for cartridges for various models and his equivalent number – rather like the *Stitch* comparison lists here. Dealers in generic spare parts will maintain similar sorts of list. And so on.
27. It is important to accept and appreciate that in all these cases the merchant who uses such a list does so to promote his product So there is a kind of "free riding". Although that expression has crept into European Trade Mark law (see also *Mango v Diknak* [2005] ETMR 5 at [19]) it is, to me at least, subtly and dangerously emotive: it carries the unwritten message that it ought to be stopped. That is far from being necessarily so. The needs of proper competition and lawful free trade will involve an element at least of "free riding." The problem for trade mark law is where to draw the line between permissible and impermissible "free riding." Using the epithet does not solve the problem.
28. It is also important to note here that there are different sorts of "free riding". There are cases of out-and-out counterfeiting. At the other extreme there are cases where, without deceiving or confusing anyone, the defendant is in competition with the trade mark owner and advertises fairly but comparatively. Then there are cases where although he gets some benefit from the fame of the trade mark, his actual activity is such that he is not in competition with the trade mark owner and does not impinge on his trade. This sort of case may, or may not, involve some adverse effect on the fame, distinctiveness or repute of the trade mark. To lump them altogether under the same name "free riding" confuses the debate.
29. It is also worth noting that in some cases of the use of a comparison list a trade mark owner may be much more directly affected than anything that is even suggested in this case. A generic drug dealer uses his comparative list to say: "My generic version of the well-known brand is cheaper. Buy mine instead." The list is for direct competition and will affect the trade mark owner's sales on a one-for-one basis. Here the *Stitch* or *Creation Lamis* comparison list will obviously not affect the fragrance house's sales at all. No-one would buy a bottle of *Stitch* No. 7 for less than £1 in a market instead of a bottle of *Trésor* for £60 or more in an exclusive outlet. The contrary is not even suggested.
30. I turn to the legal arguments about the comparison lists. Two points are raised. First is that the use of the word marks in the comparison list is not within Art. 5(1)(a) at all and, second, that if it is, it is saved by Art.6.1(b). The former point was not taken below, but Mr Carr, whilst formally objecting to it being taken now, fairly accepted that it was a point of law and that the evidence below would have been no different if the point had been raised before. In those circumstances I would allow the point to be taken.

Within Art 5(1)(a)?

31. Mr Wyand argued that the use of the L'Oréal word trade marks in the comparison list was essentially descriptive. The only practical way you can tell the public that your product smells like fragrance X, is by saying just that. If someone asked "what does *Stitch* No. 7 smell like" the answer is, and truthfully is, *Trésor*. It is entirely legitimate to make a smell-alike and so to describe the product is to tell the truth and no more – a truth by way of an essential description.
32. Mr Wyand's argument was essentially the same as that run in *O2*. The submission is based upon the decision of the ECJ in *Hölterhoff v Freiesleben* Case C-2/00 [2002] ECR I-4187. I repeat what I said in *O2*:

[20] The plaintiff had registered marks "Spirit Sun" and "Context Cut" for what are essentially uncut diamonds ("diamonds for further processing as jewellery"). The facts as summarised by the Court were set out at [8] and [10], namely that the marks were only used orally in the course of negotiation and "solely to describe the qualities, and more specifically the type of cut."

[21] The referring court asked the following question:

"Does an infringement of a trade mark in the sense contemplated in Article 5(1)(a) and (b) of Directive 89/104/EEC occur where the defendant reveals the origin of goods which he has produced himself and uses the sign in respect of which the plaintiff enjoys protection solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived in trade as a sign indicative of the firm of origin?"

[22] The ECJ answered a rather narrower question, sufficient for disposal of the case in hand. It said:

"[16] ... it is sufficient to state that, in a situation such as that described by the national court, the use of the trade mark does not infringe any of the interests which Article 5(1) is intended to protect. Those interests are not affected by a situation to which:

the third party refers to the trade mark in the course of commercial negotiations with a potential customer, who is a professional jeweller,

the reference is made for purely descriptive purposes, namely in order to reveal the characteristics of the product offered for sale to the potential customer, who is familiar with the characteristics of the products covered by the trade mark concerned,

the reference to the trade mark cannot be interpreted by the potential customer as indicating the origin of the product.

[17] In those circumstances, without its being necessary, in the present case, to discuss further what constitutes the use of a trade mark within the meaning of Article 5(1)(a) and (b) of the directive is to be interpreted as meaning that the proprietor of a trade mark cannot rely on his exclusive right where a third party, in the course of commercial negotiations, reveals the origin of goods which he has produced himself and uses the sign in question solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived as a sign indicative of the undertaking of origin."

[23] Mr Hobbs' submission thus was that "in order to be within the grasp or scope of Art.5(1) it is necessary for the defendant to be using the 'offending' sign for the purpose of distinguishing the goods or services in which he is trading, his goods or services."

[24] He supported the argument by reference to *Anheuser-Busch*, Case C-252/02, [2004] ECR I-10989 at [58]-[85]. He submitted that the thrust of this case was that Art. 5.1 did not come into play at all (was not "engaged" in the language of human rights law) where the use complained of in no way jeopardised the essential function of a trade mark. In the present case (and indeed in most comparative advertising cases) the whole point of the use complained of is to use the registered mark in a context where it *solely* refers to the mark owner's own goods or services. If you don't do that you can't make the comparison.

33. As I have said, Mr Wyand's submission was the same here. That submission and the extent of the decision in *Hölterhoff* caused this Court to consider that a reference in *O2* was necessary. The relevant question we referred reads:

1. Where a trader, in an advertisement for his own goods or services uses a registered trade mark owned by a competitor for the purpose of comparing the characteristics (and in particular the price) of goods or services marketed by him with the characteristics (and in particular the price) of the goods or services marketed by the competitor under that mark in such a way that it does not cause confusion or otherwise jeopardise the essential function of the trade mark as an indication of origin, does his use fall within either (a) or (b) of Art 5 of Directive 89/104?

34. That question seems me to be just as relevant to this case, though without the reference to "in particular the price." For I accept Mr Wyand's submission that the comparison lists here, are in the circumstances of their use, statements of the characteristics of the defendants' products, namely, for instance, that "*Stitch* No. 7 smells like *Trésor*". The question I would refer would thus be:

1. Where a trader, in an advertisement for his own goods or services uses a registered trade mark owned by a competitor for the purpose of comparing the characteristics (and in particular the smell) of goods marketed by him with the characteristics (and in particular the smell) of the goods marketed by the competitor under that mark in such a way that it does not cause confusion or otherwise jeopardise the essential function of the trade mark as an indication of origin, does his use fall within either (a) or (b) of Art 5 of Directive 89/104?

The reason I propose asking virtually the same question as in *O2* is to ensure it is answered. One cannot rely on a parallel reference actually reaching the Court otherwise. In particular it may settle in which case the question will remain unanswered in this case. Of course (as I hope) this case may catch *O2* up, in which case the Court will deal with the question in both cases. If not, the answer in *O2* will very probably answer the question here too.

35. Mr Carr (who accepts that the circumstances of use are relevant) submits that more than a "mere comparison" is involved, that the trade marks of the fine fragrance houses used in the tables are "freighted with goodwill". This is the phrase used by Millett J (as he then was) in the old Act case of *Chanel v L'Arôme* [1991] RPC 335. He had to consider whether a similar table of fragrance comparisons to those in issue here was "an advertising circular or other advertisement" for the purposes of the old Act. If it was, there was an infringement. He held that it was, saying:

"The point, in my view, is that the Chart is not, for example, like a list of shoe sizes. They, too, enable the seller to meet his customer's requirements, but they are not commendatory. Here the descriptions are freighted with the goodwill attached to the brand names. That is what makes the Chart commendatory as well as informative. It is designed to commend and sell the Echoes' range of products by reference to the desirable qualities of the leading brands of perfumes and toiletries identified by their registered trade marks. Whether those qualities are qualities which appeal to the distributor himself or to his customers is immaterial."

36. Just as in that case, I regard the comparison lists here as advertising material – material intended to be commendatory of the defendants' goods and to promote them by reference to the well-known trade marks of the fragrance houses. Although not actually circulated to the public, the information on the lists is bound to be – that is its obvious purpose.

37. I, like the Judge, accept Mr Carr's submission that the trade marks in question carry with them goodwill. Forming part of that goodwill (the "attractive force which brings in custom" in the words of an old English judgment) is the image of exclusiveness and luxury upon which the brand owners have lavished much attention, care and expense. Does that make any difference? Mr Carr submits that it does, that he should win this case even if the Court answers all the O2 questions in the defendants' favour.

38. I am not so sure. In all cases of comparative advertising it is essential commercially that the comparison is with a well-known trade mark. All target marks will have an "image" upon which the comparison is based. In reality you can only have effective comparative advertising where the advertiser is in some sense "free riding" on the goodwill of the target mark.

39. I turn back to the question of whether the use falls within Art. 5(1)(a). Mr Carr submitted that the present case was not the same as *Hölterhoff*. That, he submitted, was a case of a comparison by way of "pure" description. He put it this way: "The whole point of that case was that the words SPIRIT SUN and CONTEXT CUT were used solely to describe types of diamond cut". Here, he submitted, there was more, the principal purpose of the comparison is promotion of the defendants' goods by saying they have an attribute of the trade mark owners' goods. So it is not like O2 either, where the comparison was simply one of price.

40. The arguments are finely balanced. The protection afforded by Art. 5(1)(a) (same goods, same mark) is described in the 9th Recital to the Directive as being "absolute." The actual language reads:

Whereas the protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, is absolute in the case of identity between the mark and the sign and goods or services

41. If the protection is to be "absolute" then one might have thought that, subject to any specific exception (Art. 6) once you have same mark, same goods, there should be infringement. But that was not the case in *Hölterhoff* where there was no need to invoke the defence. Nor was it the case in *Adam Opel v Autec* Case C-48/05 [2007] ETMR 500. That too was a case of same mark same goods (the Opel badge for toys). But the Court considered that there would be no infringement "unless it affects or is liable to affect the functions of that trade mark." That directly links the function of the trade mark as a guarantee of origin with the kind of absolute protection to be conferred, as indeed they are linked in the recital. In short the Court appears to be saying protection is absolute only to the extent that the guarantee of origin must be protected.

42. The Court elaborated a little on this in *Adam Opel* at [24-25]. It said:

[23] If, by those explanations, the referring court intended to emphasise that the relevant public does not perceive the sign identical to the Opel logo appearing on the scale models marketed by Autec as an indication that those products come from Adam Opel or an undertaking economically linked to it, it would have to conclude that the use at issue in the main proceedings does not affect the essential function of the Opel logo as a trade mark registered for toys.

[25] It is for the referring court to determine, by reference to the average consumer of toys in Germany, whether the use at issue in the main proceedings affects the functions of the Opel logo as a trade mark registered for toys. Moreover, Adam Opel does not appear to have claimed that that use affects functions of that trade mark other than its essential one.

43. Mr Carr fastened on the last sentence. He said that the Court was there indicating that if some other, presumably non essential, function of the trade mark, e.g. the "image" invoked by the mark was affected, the position would be different. Maybe. Or possibly the court was simply reserving its position. It did not have to address the question and was in effect pointing that out.

44. Mr Carr also fastened on [54-55] of the *Arsenal* case, C-206/01 2002] ECR I-10273. There the Court said:

[54] The proprietor may not prohibit the use of a sign identical to the trade mark for goods identical to those for which the mark is registered if that use cannot affect his own interests as proprietor of the mark, having regard to its functions. Thus certain uses for purely descriptive purposes are excluded from the scope of Article 5(1) of the Directive because they do not affect any of the interests which that provision aims to protect, and do not therefore fall within the concept of use within the meaning of that provision (see, with respect to a use for purely descriptive purposes relating to the characteristics of the product offered, Case C-2/00 *Hölterhoff* [2002] ECR I-4187, paragraph 16).

[55] In this respect, it is clear that the situation in question in the main proceedings is fundamentally different from that in *Hölterhoff*. In the present case, the use of the sign takes place in the context of sales to consumers and is obviously not intended for purely descriptive purposes.

45. Mr Carr submitted that a promotion function went beyond "purely descriptive" and so was caught by Art. 5(1)(a). But I do not think that follows necessarily when the promotion is achieved by description. The Court did not consider that to be the case in *Arsenal*, see [56].

46. The upshot of all this is that I cannot confidently predict what the position is. The facts here are that the use of the comparison lists enables the defendants to sell their product on the basis that it smells like the originals, but that neither the image nor the essential function of the trade marks for the originals is adversely affected by the lists. No-one is deceived. No-one thinks any the less of the original brands.

47. For that reason I think it appropriate to refer questions to the ECJ about this point. It might be convenient for the Court to consider it (and the other questions I propose) at the same time as it considers the *O2* case. The parties have been in discussion about possible questions. We have not heard argument on their form, so any view I express now should be regarded as provisional.

48. Subject to that the second question I would pose in relation to the Art.5(1)(a) point is:

2. Where a trader in the course of trade uses (particularly in a comparison list) a well-known registered trade mark for the purpose of indicating a characteristic (particularly a smell of a fragrance product) of his own product (particularly its smell) in such a way that:

it does not cause any likelihood of confusion of any sort; and

it does not affect the sale of the products under the well-known registered mark; and

it does not jeopardize the essential function of the registered trade mark as a guarantee of origin and does not harm the reputation of that mark whether by tarnishment of its image, or dilution or in any other way; and

it plays a significant role in the promotion of the defendant's product

does that use fall within Art. 5(1)(a) of Directive 89/104?

49. This question does not include any reference to "without due cause" or a "taking of unfair advantage". That is deliberate. The phrases are by no means easy to interpret. They are not used expressly in Art.5(1)(a) although, by virtue of the decision in *Davidoff v Gofkid* (see more below) they are, I think, implicit. The point of the question is to confine the assumption to the facts.

Art. 6(1)(b) defence

50. I turn to the second point in relation to the comparison lists: is their use permitted by Art.6(1)(b)? As I have said, in the circumstances of use, the lists effectively say to the customers: "this product of the defendants' smells like this product of the fine fragrance house." This seems to me to be clearly a characteristic of the defendants' product. The Judge said that "may be right" but I think it is obviously so. True it is the lists alone are just lists of trade marks and *Stitch* numbers or trade marks and *Creation Lamis* names, but it is commercially unrealistic to consider them in isolation. So I think the use on the lists of the word trade marks is within Art. 6(1)(b) as being "an indication concerning the kind ... or other characteristic of the goods".
51. So the real question is, whether the use in the comparative lists is "in accordance with honest practices in industrial or commercial matters." Quite obviously if people are or are likely to be deceived by the use, then the use would not be honest. And that must be so even if there is a real likelihood that the use actually made, although it would not deceive the defendants' actual customers (e.g. market traders), would lead to deception of significant numbers of ultimate consumers. If what you do, to your actual or constructive knowledge, will lead or is likely to lead to deception of someone down the chain, you yourself will not be acting in accordance with an honest practice.
52. But that is not the position in relation to the comparison lists. L'Oréal has an argument about instruments of deception in relation to the claims for infringement concerning the packaging. However it is not even suggested that the marketing of the *Stitch* range causes deception or confusion at any point in the chain. The only thing objected to in that marketing are the comparison lists.
53. I go back to the facts. Mr Wyand submits that as a matter of reality the only way a trader can tell the trade that his product smells like that of a well-known fragrance is by using the word trade mark of that fragrance. He points to evidence that it is the custom of those who design fine fragrances sometimes to describe their smell by reference to well-known brands as evidence of the need to do this. Mr Carr says, yes, but well-known brands are never marketed as having a smell like another brand. He submits that the defendants are free to describe their products as "woody" or "musky" or "flowery" or with any of the other general words with which people try to describe smells. There is no need to use the trade marks of others.
54. I accept Mr Wyand's submission. If you want to describe the smell of a product, the best way to do it is by reference to the closest thing to it in smell likely to be known by your hearer. The fact that even fine fragrance houses do this internally is an instance of this. That they do not advertise their products in that way is beside the point – they try to create a unique image. So reference to another's product would be an anathema to that purpose.
55. So the factual position can be summarised thus:
- i) It is lawful to make and sell a smell-alike product.
 - ii) The best and only practical way to describe its smell is to inform people that it smells like X.
 - iii) That is done by the use of the comparison lists.
 - iv) The defendants get a major promotional advantage from using such lists.
 - v) Neither customers nor ultimate consumers are deceived as a result of the use of the lists.
 - vi) Neither the image nor the distinctiveness of the trade mark for the comparable fine fragrance is impaired by the use of the lists – there is no tarnishment or blurring.
 - vii) Sales of the corresponding fine fragrance are not affected by the use of the lists.

56. I turn to the law. The leading ECJ authority is *Gillette v LA Laboratories Case C-228/03*. It said:

[41] As regards the first part of that question, the Court of Justice has consistently held that the condition of 'honest use' within the meaning of Article 6(1) of Directive 89/104 constitutes in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner (*BMW*, paragraph 61; *Gerolsteiner Brunnen*, paragraph 24). Such an obligation is similar to that imposed on the reseller where he uses another's trade mark to advertise the resale of products covered by that mark (Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013, paragraph 45; *BMW*, paragraph 61).

[42] In that regard, use of the trade mark will not comply with honest practices in industrial or commercial matters where, first, it is done in such a manner that it may give the impression that there is a commercial connection between the reseller and the trade mark proprietor (*BMW*, paragraph 51).

[43] Nor may such use affect the value of the trade mark by taking unfair advantage of its distinctive character or repute (*BMW*, paragraph 52).

[44] In addition, as the United Kingdom Government and the Commission have rightly pointed out in their observations, use of the trade mark will not be in accordance with Article 6(1)(c) of Directive 89/104 if it discredits or denigrates that mark.

[45] Finally, where the third party presents its product as an imitation or replica of the product bearing the trade mark of which it is not the owner, such use of that mark does not comply with honest practices within the meaning of Article 6(1)(c).

57. Also of major relevance here is Art. 3(a) of the Misleading Advertising Directive (84/450) as amended by the Comparative Advertising Directive (97/55) (the CAD). I discussed these provisions and set them out in detail in O2 at [39 -57] and there is no need to repeat all of that here. It is sufficient to say:

i) The definition of "advertising" is so wide that it clearly covers the comparison lists (see O2 at [44]);

ii) This Court concluded in O2 that "a man whose comparative advertisement is not Art 3a compliant cannot be [acting in accordance with "honest practices in industrial or commercial matters"]. We thought that so evident as to be *acte clair* (O2 at [56-57]).

iii) On the other hand compliance with the CAD will be enough to satisfy Art. 6 of the TM Directive. That was accepted in O2 and is implicitly accepted here. After all Art. 3a inserted by the CAD starts by providing:

Comparative advertising shall, as far as the comparison is concerned, be permitted when the following conditions are met:

One could hardly conclude that that which the legislator said is to be permitted is not "in accordance with honest practices ... etc."

58. The parties were in dispute as to whether there was compliance with Art 3a. Mr Carr submitted there was non-compliance with the following conditions of Art 3a:

(b) it compares goods or services meeting the same needs or intended for the same purpose;

(c) it objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price;

(e) it does not discredit or denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities, or circumstances of a competitor;

(g) it does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products;

(h) it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name.

59. Before considering each of these, I remind myself that the ECJ has told us (in *Toshiba*, Case C-112/99 [2001] ECR I-7945, and *Pippig*, Case C-44/01 [2003] ECR I-3095) that "the conditions required of comparative advertising must be interpreted in the sense most favourable to it" (*Toshiba* [37], *Pippig* [52]).
60. Bearing that in mind I turn to Mr Carr's points, starting with (b). He submitted that the comparison lists as such (just a list of *Stitch* Nos. or *Creation Lamis* names against trade marks of fine fragrances) did not compare anything and so were not within (b). That is true if you consider the document out of the context of its use. That is unrealistic – and moreover would mean no infringement since, just as a document, it would not be used in the course of trade. In context it is intended to be read, and will be read, as saying that the *Stitch* No. x product has a smell like that of the corresponding product under the well known trade mark. That is objectively true. The use is within (b).
61. As to (c) the position is the same. In the context of its use the comparison list compares the smells of the fine fragrance with the corresponding *Stitch* product.
62. Turning to (e) I cannot see how the comparison list in any way discredits or denigrates the fine fragrances mentioned. Nor is their reputation affected. To know that a cheap, non-confusing, down-market, low quality copy of an original is being sold does not touch the luxury image and high reputation of the original. The Judge specifically rejected allegations of tarnishing at [153], both in relation to the *Stitch* range and the *Creation Lamis* range. Although Mr Carr argued otherwise, I am wholly unpersuaded that the Judge was wrong.
63. I would add that a touch of reality is called for here. Consumers are not stupid. They will not see the cheap copy as being the same in quality as the original. They will see it for what it is and no more.
64. I turn to (g). Clearly the comparison list takes advantage of the reputation of the original fine fragrances. Doing so is the whole point of the list. But does it take "unfair advantage" of the reputation of the original? It is here that I think a difficult question arises. Virtually any comparison by a merchant of his product with a well-known product on the market will to some degree take advantage of the reputation of that product. That is so whether the comparison is of a number of products by the sort of list we have here or is a one-off comparison. In the case of any sort of comparison there will be a significant element of "free-riding." Sometimes the product will simply be an equivalent but cheaper, sometimes it will be sold simply by reference to the well-known product as a standard.
65. Mr Carr submits that this case is different from cases where the advertiser himself has his own brand with its own reputation: he says this is far from a case of a "pure" comparison, on the contrary it is one of "pure" free riding. Now it may all be a question of degree – it could be that the test of "unfairness" is whether the principal purpose or effect of the comparison is getting a commercial advantage. But even such a test would be virtually impossible to apply. The fact is that I am uncertain – particularly given the *Toshiba/Pippig* principle. I do not know what meaning the ECJ would attach to "unfair advantage" in the context of the Comparative Advertising Directive. A question is called for. It is one that I think should be confined to the use of comparison lists. The existing draft proposals (as to which there is no agreement yet) are not sufficiently specific.

66. My own provisional draft of the question runs as follows:

3. In the context of Art 3a(g) of the Misleading Advertising Directive (84/240) as amended by the Comparative Advertising Directive (97/55), what is the meaning of "take unfair advantage of" and in particular where a trader in a comparison list compares his product with a product under a well-known trade mark, does he thereby take unfair advantage of the reputation of the well-known mark?

67. Finally there is condition (h). Does the message conveyed in the context of the comparisons - that the defendants' product smells like the well-known fragrance - present the defendants' goods as being an "imitation or replica" of the "original" fragrance? Mr Wyand submits not - that this condition is confined to things like counterfeit Rolex watches. He says that "present goods or services as imitations or replicas" is a composite phrase indicating just that sort of thing and no more. Mr Carr submits that saying a perfume smells like a well-known brand is indeed "presenting it" as an imitation of it. He may be right, but if so "presenting goods as an imitation" will have a very wide, possibly overprotective, meaning. So again a question is called for.

68. My provisional draft of a question runs thus:

4. In the context of Art. 3a(h) of the said Directive what is the meaning of "presenting goods or services as imitations or replicas" and in particular does this expression cover the case where, without in any way causing confusion or deception, a party truthfully says that his product has a major characteristic (smell) like that of a well-known product which is protected by a trade mark?

69. Accordingly I think four questions are called for in relation to the comparison lists, though the first of these has in substance already been asked in O2. I have provisionally drafted these.

70. My own view overall is that such lists, even where there is a degree of what can be called "free riding", should be lawful. European trade mark law should not be overprotective.

71. Finally I should add a word about the Judge's reasoning in relation to the lists. He did not deal with them as raising quite separate and distinct questions. His reasoning involved also the packaging used for the *Creation Lamis* range. This is what he said, having referred to and set out the passages from the *Gillette* case I have set out above:

[159] These criteria are plainly drawn from the Comparative Advertising Directive. In effect, therefore, honest practices are those which comply with that Directive. As I read this, use of an identical sign cannot be in accordance with honest practices if it takes unfair advantage of the distinctive character or repute of a registered trade mark. This is an independent test that must be satisfied. Nor can use of a trade mark fall within section 10 (6) unless it passes the same test. In view of my findings about the way in which the *Creation Lamis* range has a "free ride" on the back of the fine fragrances, it seems to me to be the inevitable conclusion that use of the word marks of the fine fragrances on comparison lists or in response to customers' queries fails this test. It follows that infringement has been established.

72. That takes one back to his findings about *Creation Lamis* which I quote:

[151] In short:

(i) The extent of the similarity is deliberate. It "winks at" the packaging of the premium brand. Although I accept that Bellure attempted to make the wink unobtrusive enough to avoid trade mark infringement they were (to change the metaphor) sailing close to the wind, and it is not surprising that on occasions they capsized.

(ii) The two fragrances chosen as comparators (Trésor and Miracle) were well promoted brands, extensively advertised. Had they not been good sellers they would not have been selected.

(iii) The degree of similarity in packaging enables Bellure and Starion to charge more for the *Creation Lamis* range than for the equivalent *Stitch* range.

(iv) As Dr Curtis accepted the *Creation Lamis* range benefits from the advertising and promotion of the fine fragrances.

(v) M. Robert agreed that if the packaging, name and bottle of a "smell-alike" looks like the original product, then the "smell-alike" sells because of the reputation of the original.

73. However all but item (ii) of these concern the packaging of *Creation Lamis*. The other items have nothing to do with the *Stitch* range where the only complaint is the use of the comparison list. Nor have they anything to do with the comparison list used for *Creation Lamis* simply as a list. As for item (ii), as I have already observed, there is no point in a comparative advertiser making his comparison with an unknown comparator. So, whatever the answers to the questions, the Judge's reason, that the Art.5(1)(a) point must follow from the Art. 5(2) findings is, I think with respect, wrong. I think he failed sufficiently to appreciate that the comparison list point is wholly divorced from the points about the get-up of the goods and is of much wider significance.

Art. 5(2) generally

74. As I have said, this raises quite distinct questions from those concerning the comparison lists. They fall to be considered separately. It is about the forms of packaging used by the defendants. The Judge found that the historic packages infringed but the current ones do not. The defendants appeal the adverse findings against them while the claimants appeal some of the adverse findings against them.

75. I begin with the purpose of Art. 5(2) and a settled question of law. The purpose is set out in the 9th recital to the Directive:

Whereas it is fundamental, in order to facilitate the free circulation of goods and services, to ensure that henceforth registered trade marks enjoy the same protection under the legal systems of all the Member States; whereas this should however not prevent the Member States from granting at their option extensive protection to those trade marks which have a reputation.

This recital is the basis for Art 5(2). Although optional, in practice all member states have adopted it as part of their domestic law. It is also enacted as part of the CTM system. So one starts by noting that the purpose of Art 5(2) is to confer "extensive protection" on registered marks with a reputation.

76. Next, it has been held at [25] in *Davidoff v Gofkid* Case C-292/00 [2003] ECR I-389. [2003] ETMR 42 that Art. 5(2) cannot be given an interpretation which would lead to well known marks having less protection where a sign is used for identical or similar goods or services, than where it is used for non-similar goods or services.

77. It follows that, where the registered mark has a reputation, the defendant's use of his sign will fall within Art. 5(2) when:

- a) the defendant's sign is identical with, or similar to, the registered trade mark; and
- b) use of that sign is without due cause; and

c) the use takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

I have set it out this way to assist analysis.

Similarity

78. Since none of the signs complained of are identical with the registered marks the first question under Art. 5(2) is whether there the defendant's sign is "similar to" the registered mark. The ECJ considered "similar to" in *Adidas-Salomon AG v Fitnessworld* [2004] Ch 120. It said:

28 The condition of similarity between the mark and the sign, referred to in article 5(2) of the Directive, requires the existence, in particular, of elements of visual, aural or conceptual similarity: see, in respect of article 5(1)(b) of the Directive, *SABEL BV v Puma AG, Rudolf Dassler Sport* (Case C-251/95) [1997] ECR I-6191, 6224 et seq, para 23 in fine, and *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* (Case C-342/97) [1999] ECR I-3819, 3841 et seq, paras 25 and 27 in fine.

29 The infringements referred to in article 5(2) of the Directive, where they occur, are the consequence of a certain degree of similarity between the mark and the sign, by virtue of which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them: see, to that effect, *General Motors Corp v Yplon SA* (Case C-375/97) [1999] ECR I-5421, 5445-5446, para 23.

30 The existence of such a link must, just like a likelihood of confusion in the context of article 5(1)(b) of the Directive, be appreciated globally, taking into account all factors relevant to the circumstances of the case: see, in respect of the likelihood of confusion, *SABEL*, para 22, and *Marca Mode*, para 40.

31 The answer to question 2(a) must therefore be that the protection conferred by article 5(2) of the Directive is not conditional on a finding of a degree of similarity between the mark with a reputation and the sign such that there exists a likelihood of confusion between them on the part of the relevant section of the public. It is sufficient for the degree of similarity between the mark with a reputation and the sign to have the effect that the relevant section of the public establishes a link between the sign and the mark."

79. So the question of "similar to" has been glossed into asking whether a "link" is established for the relevant section of the public. As I pointed out in the *Intel* case reference [2007] ETMR 59 (where the marks were the same, but the goods/services dissimilar) the English cases have considered that it is not enough merely that the defendant's mark "calls to mind" the registered mark. There must be at least some effect on the economic behaviour of consumers. That makes sense: for unless there is, there is no reason why trade mark law should get involved. A mere "bringing to mind" having no other effect in the long or short term, ought to go untouched by trade mark law.

80. Of course if the average consumer is, at least in part "moved in any degree to buy" (the memorable phrase of Learned Hand J in *Crescent Tool v Kilborn & Bishop* (1917) 147 F. 299) by reason of the similarity between sign and mark, then a more substantial link is established. And there will be an effect on economic behaviour, even though it may be only of the defendant's customers – see the discussion of "free-riding" above.

81. For my part I think it sufficient in this case, to say that "a link" is established only if consumers are, or are likely to be, moved in any depth to buy by reason of use of the defendants' signs. That is not the same question as whether consumers would be deceived, though it includes it.

82. The Judge applied a wider test – did the defendant's sign "bring to mind" the registered mark? As it happens I do not think it matters in this case: for if the defendant's sign brought to mind

the registered mark, in practice it would serve to tell the consumer that the product concerned smelt somewhat like the "original" and hence influence the purchase. It is for that reason that I do not think it necessary to refer any question asking the Court to refine its definition of "a link".

Without due cause

83. This is the next requirement of Art.5(2). It formed little of the argument before us. Clearly the onus of establishing "due cause" will lie on the defendant. As I have observed, "without due cause" is a point of great significance in relation to the comparison list issue: realistically you cannot sell a replica fragrance – a lawful product – without such a list. But in relation to the packaging issues there is simply no necessity or cause for adopting packaging intended to "wink at" the original. Accordingly I do not find it necessary to go further into this point here.

Detrimental to the distinctive character or the repute of the trade mark

84. The Judge did not find any of the defendants' packaging detrimental to the distinctive character or repute of the trade marks. L'Oréal says he should have so found. There is no real issue of law between the parties. Whether the use is detrimental to the distinctive character or repute of the trade mark is a pure question of fact.

85. Mr Carr argued there was tarnishing because some members of the public might not think it worth paying the much higher price of the fine fragrance. I do not see that at all. Knowing that a much cheaper, but inferior imitation of a well-known product is available does not tarnish the image of the original. And it has nothing whatever to do with the actual sign used by the defendant. As the Judge said:

[147] there must, in my judgment, be a causative link between the application of the sign and the tarnishing or blurring of the mark complained of.

86. Mr Carr also argued that there would be blurring of the distinctive character of the marks. He invited us to draw an analogy with cases where a well-known high prestige product was seen in insalubrious circumstances (the Burberry brand being associated with chavs was his example). That is miles from this case. That is a case where either the real thing or a counterfeit (so that people take it as the real thing) is given a down-market image. Nothing like that is relevant here – the best Mr Carr could point to was a market trader who used a single fine fragrance in its packaging to demonstrate "the wink" at the products he was in fact selling. That has nothing to do with tarnishing – and is indeed some evidence supporting the fact that the "wink" alone does not always have its intended effect.

Takes unfair advantage

87. This is the real legal point under Art 5(2). There can be little doubt that the link between the defendants' packaging and the registered marks, if established, confers an advantage on the defendants. They are able to charge more (true, nothing like the price of a fine fragrance) for the *Creation Lamis* range than for a range whose packaging owes nothing to that of the "original," for instance the *Stitch* packaging. No doubt part of the higher price is attributable to the better quality of the packaging as such, but part of the higher price must be attributable to the "wink." The Judge so held at [151] (iii).

88. So is the advantage taken "unfair"? That depends on what is meant by "unfair advantage". The Judge applied the test used by the First Board of Appeal of OHIM in Case R 308/2003-1 *Mango Sport v Diknak* [2005] ETMR 5 at [19]:

"As to unfair advantage, which is in issue here since that was the condition for the rejection of the mark applied for, that is taken when another undertaking exploits the distinctive character or repute of the earlier mark to the benefit of its own marketing efforts. In that situation that undertaking effectively uses the renowned mark as a vehicle for generating consumer interest

in its own products. The advantage for the third party arises in the substantial saving on investment in promotion and publicity for its own goods, since it is able to "free ride" on that already undertaken by the earlier reputed mark. It is unfair since the reward for the costs of promoting, maintaining and enhancing a particular trade mark should belong to the owner of the earlier trade mark in question."

89. The test was propounded in very different circumstances from the present case. The marks were the same, and highly distinctive ("strong") for the goods of each side (clothing vs protective helmets). As a factual matter one can perhaps understand how there might even be confusion of consumers or at least a question in their minds as to whether there was some sort of connection between Mango helmets and Mango clothing. Here we have different marks and signs. And no question of even a speculation about a connection.
90. In essence the Mango test is "free riding" and no more. It does not matter whether the consumer is confused. Nor does it matter that the essential function of the trade mark is not impaired. Nor does it matter that there is no tarnishing or blurring of the trade mark or its reputation. It does not matter that the trade mark owner's sales are not impaired. It does not even matter that the trade mark owner is not deprived of any of the reward for promotion, maintenance or enhancement of his trade mark.
91. I am not convinced that this is necessarily correct. It amounts to saying "If there is an advantage, it must also be unfair". It gives no meaning whatever to the important word "unfair". If it is indeed virtually meaningless, that needs to be established at ECJ level. So I would ask a question about "unfair advantage" based on the above assumed facts. The question I would ask is:

5. Where a trader uses a sign which is similar to a registered trade mark which has a reputation, and that sign is not confusingly similar to the trade mark, in such a way that:

(a) the essential function of the registered trade mark of providing a guarantee of origin is not impaired or put at risk;

(b) there is no tarnishing or blurring of the registered trade mark or its reputation or any risk of either of these;

(c) the trade mark owner's sales are not impaired; and

(d) the trade mark owner is not deprived of any of the reward for promotion, maintenance or enhancement of his trade mark.

(e) But the trader gets a commercial advantage from the use of his sign by reason of its similarity to the registered mark

does that use amount to the taking of "an unfair advantage" of the reputation of the registered mark within the meaning of Art.5(2) of the Trade Mark Directive?

92. Mr Carr submits that in many other EU countries those circumstances are regarded as unfair competition. He is probably right about some EU countries, though my general understanding (I could not give chapter and verse) is that in some countries there has been a "rowing back" on what amounts to "unfair competition". But even if such circumstances amount to unfair competition in some countries, it is surely clear that the concept of "unfair advantage" is an autonomous EU concept. It needs to be clarified, and I hope, a fairly bright-line rule established so that traders know what they can and cannot do.
93. My own view is that the answer ought to be "no". Clearly activities which actually harm a trade mark or its reputation ought to be caught by trade mark law. And there may be other activities which can properly be called "unfair". I doubt whether one can or should even try to spell them all out. But one can envisage some. Consider a very distinctive mark famous for a

particular kind of product, perfumes say. The trade mark owner may reasonably one day contemplate a line extension – perhaps into jewellery or wines. If another used that self-same mark, or a confusingly similar one, for these different goods, then, even if no-one is confused, he would foreclose the trade mark owner's future options. I do not see why that should not be regarded as "unfair." Similarly, if the mark is used for wholly different goods, axle grease say, in a context intended to parody, then the use may be unfair.

94. But where there is no harm, present or prospective, caused to the mark, its distinctive character or to the mark owner or his business, present or reasonably prospective, I see no reason to say that a use is "unfair." Again my concern is that EU trade mark law ought not to be over-protective. Freedom to compete or just to trade is an important foundation of the EU and should only be restricted, including by trade mark law, where necessary. Trade marks need protection to play their vital part in a competitive economy, but it is very questionable whether they need more protection than for that purpose.

95. If the answer is "no" the defendants will succeed on both historical and current packaging. If "yes" then it is still necessary to consider whether the Judge was right about the question of "similarity" and whether there was a "link".

Similarity ("link")

96. So I turn to the question of similarity (a link) on the facts of this case. I begin by reminding myself that the Judge was here considering a question of fact involving a weighing of a number of factors, particularly the appearance of the products themselves, the intention of the designers, and the public reaction. For either side to succeed, they must show that the Judge was wrong (CPR Part 52.11(3)). That is not an easy task where there is an overall assessment of a number of factors which have to be weighed against each other (*Assicurazioni v Arab Insurance* [2003] 1 WLR 577).

97. Now it is clear that the designer(s) of the packaging and naming of the *Creation Lamis* and *Dorall* ranges *intended* the consumer to get the message "this is a bit like" the corresponding fine fragrance – "a wink to it", see [19] above. Given the intention it is a small step to the conclusion that the designer succeeded. Years ago Lindley LJ asked, in the context of passing off: "why should we be astute to say that (the defendant) cannot succeed in doing what he is straining every nerve to do?" (*Slazenger v Feltham* (1889) 6 RPC 531 at 538).

98. However in this case there was other evidence besides that of designer's intent. L'Oréal conducted market research. It was conducted in an unfair manner with leading questions – the Judge describes it all at [61-68]. His conclusion was that "there is very little evidence that the "wink of an eye had its intended effect." Mr Wyand submits that, if even with leading questions and hints, no link by association is shown, then the conclusion should be there is none and the Judge should have so concluded not only in relation to the current products (where he found no link) but in relation to the historical ones (where he did).

99. Mr Carr on the other hand submits that the Judge misunderstood and so wrongly applied the "global appreciation" test. If he had applied the right test he would have found a link in all cases.

100. I turn first to Mr Wyand's submissions. The Judge decided that the historical packaging of *La Valeur* and the historical bottle of *Pink Wonder* would not cause any confusion but that they would create a link for the average consumer with the marks sued upon. He did this in detail at [124 -129] for *La Valeur* and [134-135] for *Pink Wonder*. Mr Wyand invites us to say he was wrong.

101. Turning first to the old *La Valeur* product the three *Trésor* registrations consist of the word *Tresor*, the front of the box and the bottle (see [9] above). The word mark is not relied upon as against *La Valeur* so only the box and bottle marks are in issue. In relation to both of these the Judge held that a "link" was established.

102. As to the box mark, Mr Wyand set out the principal differences between the old *La Valeur* and the registered mark:
- a) The obvious differences in the corresponding product names LA VALEUR and TRESOR which appear prominently in gold on the black box in significantly different scripts;
 - b) The much larger size of the black box proportionately to the rest of the package in the registered mark;
 - c) The obvious absence of the strong trade mark LANCÔME from the LA VALEUR product;
 - d) The absence of the black and gold stripes across the bottom of the packaging.
103. He submitted that "in the face of such differences the Judge was wrong to hold that the similarities between mark and sign were "sufficiently similar to cause an association or link in the mind of the average consumer" [129] in the absence of evidence that such a link was actually formed or was likely to be formed". To this he added the point that the survey and interview evidence, though biased in favour of L'Oréal, produced nothing.
104. I am unable to accept this submission. The Judge clearly assessed all factors before reaching his conclusion. To my eye and mind it is entirely plausible that the historical *La Valeur* box would bring the *Trésor* box to the mind of an average consumer familiar with that box. I have particularly in mind the fairly distinctive gold-edged black box with gold lettering inside, all on a generally orangish-pink background. He weighed all the factors, was not obviously wrong and the Court of Appeal should not try to form its own opinion. And after all the box was intended to "wink at" the original.
105. Much the same goes for the Judge's assessment of the bottle registration and the *La Valeur* actual bottle.
106. Next there is historical *Pink Wonder*. The Judge held that there was a link between the old bottle and the *Miracle* bottle registration at [134-138]. Mr Wyand criticises that in much the same way as he criticised the findings about the *La Valeur* box: starting with the differences of name and detail of the bottle and then relying on the flawed poll/interview evidence positive in his favour. He particularly emphasised that the bottle was "run of the mill", that the wording on the bottle was different. He added that the "pinkness" of the two products should be disregarded.
107. I do not accept this submission. The bottle, with its top, is not so "run-of-the-mill" as all that. The pinkness point is flawed: the registration is of a transparent bottle and covers the bottle containing any colour liquid – the comparison is strictly bottle for bottle and would be the same if both bottles were empty. I cannot see any fault in the Judge's approach.
108. It follows that I would dismiss the defendants' appeal concerning the finding of a "link" in respect of the historical products.
109. I turn to L'Oréal's cross appeal on the link point. Mr Carr submits that the "global appreciation" test involves considering not only the registered mark and the defendants' sign, but all other surrounding circumstances. So, he submitted, the fact that the defendants' products form part of a range of smell-alikes should be taken into account as also the manner in which the trade mark owner's mark is used.
110. I start with the latter point. He raised it in relation to the *Pink Wonder* box, held not to give rise to a link in either the historical or current version (the difference between the two is slight). *Miracle* is advertised on television with images of clouds. The *Pink Wonder* box, besides being generally pink (though a markedly different shade), shows some cloud images. Mr Carr says they should be taken into account by reason of the global appreciation test. I cannot agree. The test is, and must be, founded on the mark as registered, not material which

forms no part of that. There is simply no warrant in the Directive for taking more than the registered mark into account. The global appreciation test does not amount to the proposition that once a registered mark is used in marketing, anything, extraneous to the mark used in marketing, comes in too – as though it formed part of the registered mark..

111. As to the "the other surrounding circumstances" point – essentially that *Creation Lamis* forms part of a range - I think there is more force. But here we are looking at the defendant's sign. How it would be perceived in practice does form part of a global appreciation on the strict mark for sign test. But having said that, I do not think the Judge fell into any error here. He was well aware the defendants' products complained of form part of a range when he made his assessment of a "link". In the end what the trade mark owner has to prove is that the link is caused by the similarity of his mark and the defendant's sign.
112. With that I turn to the Judge's alleged errors relating to "a link". I deal with the two word marks first. The Judge found no link in respect of the *Tresor* word mark and the *Coffret D'Or* name. I am not surprised. It is true that in French the two have some similarity at a high level of generality, but that is likely to be lost on the average British consumer buying the defendants' product in a street market. Even for a French speaker the allusion is at best remote. There was ample material to support the Judge's view.
113. Implicitly here is a repeat of the argument I have just rejected, namely that in the global appreciation test you take into account not only the mark as registered but how it is marketed. So, even though the mark is just the word *Tresor*, you take into account the packaging of the product and the packaging of the defendant's *Coffret D'Or* product. That simply is not the law. The mark is what is registered, no more.
114. The same reasoning applies to the allegation that the words *Pink Wonder* infringe the registered word mark *Miracle*, a near fantastic allegation if one stands back to think about it. The Judge rightly rejected it at [138].
115. Next I turn to the *Pink Wonder* box – which is near enough the same for both the historical and new versions. The Judge held no link at [136-137] and [141]. His reasons were cogent and I cannot see anything wrong in his approach. Again standing back and looking at the two boxes of very different shades of pink and with different names, the claim seems absurd.
116. As for the current *Pink Wonder* bottle it was dealt with by the Judge at [139-141]. Again he held no link, his reasons were cogent and I cannot see anything wrong in his approach.
117. To summarise. There is a link between the defendant's product and the corresponding registered marks in the following cases: the historical *La Valeur* box, the historical *Pink Wonder* bottle, and the *La Valeur* bottle (historical and new). There is no link in the following cases, *Pink Wonder* box (historical and new), the name *Coffret d'Or* and the name *Pink Wonder*.

The effect of the disclaimers and limitation

118. The *Trésor* box mark has a disclaimer and a limitation. On the finding of "a link" and "unfair advantage", the historical *La Valeur* box would infringe. But, submits Mr Wyand, even on those findings, he has another defence – the limitation. The Judge rejected this argument at [127]:

[Mr Wyand] said that the limitation to the specified colours "as shown in the representation on the form of the application" meant not only that all the colours had to be present in the sign, but that they had to have the same spatial arrangement as shown in the registered mark. If there was any difference between them, the limitation had effect and, even if the sign was confusingly similar, it would not infringe. I do not accept this submission. Although it may well

be the case that to devise a sufficiently distinctive form of packaging to qualify for registration may be difficult (hence the colour limitation), I do not consider that a reading of the colour limitation can confine it to the precise spatial arrangement shown on the mark. The mark, for instance, shows the words "Trésor" and "Lancôme" in gold on a black square whose sides are parallel to the sides of the box. It would, in my judgment, be absurd to read the limitation as meaning that the trade mark owner was voluntarily giving up his right to object to a depiction of the same words, in the same fonts, in a black rectangle which was not a square, or in a square turned through 45 degrees.

119. Mr Wyand submits that "as shown in the representation" means that the colours must not only be of the same hue and shade, but must be positioned as shown. It follows that the limitation is of very extensive effect – nothing short of an exact copy would infringe. I do not accept that. "As shown on the representation" means the colours used on the representation, not where they are used. Mr Wyand submits that makes no sense – for you could use the colours in a wide variety of combinations and the limitation would be virtually meaningless. I think Mr Carr supplied the answer to this: that wildly different combinations (e.g. using black as the predominant colour) would not infringe simply on the basis that no link would be created.

120. Accordingly the "limitation" defence to old *La Valeur* box fails. The box will infringe if the ECJ's answer to my proposed question is "yes". Otherwise it will not.

121. I turn to the *Trésor* bottle mark. Again there is a link. But in this case the Judge held there was no infringement by reason of the disclaimer on the registration. Mr Carr argues he was wrong to do so. The argument runs like this:

i) The mark was registered under the 1938 Act;

ii) At that time 3-D marks, including containers, as such could not be registered. They were not "marks" within the meaning of the Act, see *Coca Cola TMs* [1986] RPC 421;

iii) You could, however, register a 2D picture of a 3D article, and specifically a picture of a bottle.

iv) The purpose and effect of the disclaimer was to make it clear that if you did register a picture of a bottle, the exclusive rights did not extend to a picture of a bottle on its own;

v) The transitional provisions of the Act meant that old registrations take effect as if registered under the new Act. This is achieved by paragraph 2 (1) of Schedule 3 to the Trade Marks Act 1994 which provides:

2 (1) Existing registered marks (whether registered in Part A or B of the register kept under the 1938 Act) shall be transferred on the commencement of this Act to the register kept under this Act and have effect, subject to the provisions of this Schedule, as if registered under this Act.

vi) The disclaimer is also treated as if entered under the new Act, paragraph 3(2) of that Schedule reading:

3 (2) A disclaimer or limitation entered on the former register in relation to an existing registered mark immediately before the commencement of this Act shall be transferred to the new register and have effect as if entered on the register in pursuance of section 13 of this Act."

So what is treated as entered under s.13 is just the actual disclaimer which I will set out again: "Registration of this mark shall give no right to the exclusive use of the device of a container."

vii) All that was disclaimed under the old Act was a picture of a container. The meaning has not changed when it is treated as registered under s.13.

viii) So the disclaimer does not affect an actual container, only a picture of one.

122. The Judge rejected this. He said:

[95] ... The whole of the registered mark (including the disclaimer) has effect as if registered under the 1994 Act. Since the effect is that prescribed by the 1994 Act there is no need to enquire what would have been the effect of a registration in the same terms under the 1938 Act. Where, as here, the trade mark owner relies on use by three-dimensional implementation as constituting infringement, there is no justification for limiting the meaning to be given to the word "use" in the disclaimer. To do otherwise would allow the trade mark owner to cherry-pick. If the trade mark owner wishes to enlarge the scope of the monopoly, his remedy is to apply to register the mark without the disclaimer.

[96] In my judgment the manufacture of a bottle as an implementation of the Trésor bottle mark would not amount to an infringement if the shape of the bottle were the only similarity.

123. I think he was right. And I would also put it this way: the disclaimer of "a device of a container" must, once deemed to be entered as a s.13 disclaimer, be read as if it had been so entered. If you enter a disclaimer under the 1994 Act "of a device of container" the natural way to read it would be that it excluded both a 2D and 3D "device". What the transitional provision requires is that a pre-Act disclaimer should be read as if it were a post-Act disclaimer.

124. Accordingly the Judge was right to hold that there was no infringement of the *Trésor* bottle registrations.

Summary on Trade Mark Infringement

125. So the position in respect of trade mark infringement overall is as follows:

a) Whether there is infringement by the use of the word marks on the comparison lists will depend on the answers to the first four questions I propose for the ECJ.

b) There is no infringement by any of the current versions complained of. This is so in some cases because there is no "link" established and in the case of the bottle registration by reason of the disclaimer. No reference is apposite for these products.

c) Whether there is infringement by the historical products depends on the answer to the question I propose about "unfair advantage."

Passing off

126. L'Oréal submit that that the sales of *Pink Wonder*, *Coffret d'Or*, *La Valeur*, *Nice Flower* and *Sweet Pearls* all amount to passing off. There is no dispute that each of the names has a substantial goodwill as also the respective packaging in which they are sold.

127. Mr Carr also submits that the fragrance of each of these products has goodwill. He submits that a fragrance is in principle registrable as a trade mark, subject to overcoming the problem (perhaps intractable) of a graphical registration, see *Sieckmann* Case C-273/00. Actually I doubt that a fragrance can be registered as a trade mark, even if that problem can be overcome. But the point does not arise here and I say no more. I am prepared to accept that each fragrance is well-known. But that does not mean that anyone who seeks to emulate the fragrance is guilty of any wrong. There is no suggestion in this case that anyone has been misled by the similarity of fragrance so this point just runs into the sand.

128. The next way passing off is advanced is via the claim of "instruments of deception". It is not suggested that the defendants' actual packaging would deceive anyone. The suggestion is that some vendors of the product will exploit the names and packaging and the fact that the

products are smell-alike to make false representations of their own. And that if they do so, the defendants are to be taken as responsible for that.

129. Reliance is particularly placed on *BT plc v One in A Million* [1999] FSR 1. The defendant had registered a large number of web domain names consisting of or including the names of well-known companies. He tried to blackmail them into buying the addresses, threatening to sell them to others as way of increasing the price. If anyone actually used the names they would be very likely to, but would not necessarily, deceive. Not surprisingly the domain names were held to be potential instruments of deception and the defendant was enjoined.

130. Mr Carr particularly relied on what was said by Aldous LJ at p.18:

"In my view there can be discerned from the cases a jurisdiction to grant injunctive relief where a defendant is equipped with or is intending to equip another with an instrument of fraud. Whether any name is an instrument of fraud will depend upon all the circumstances. A name which will, by reason of its similarity to the name of another, inherently lead to passing off is such an instrument. If it would not inherently lead to passing off, it does not follow that it is not an instrument of fraud. The court should consider the similarity of the names, the intention of the defendant, the type of trade and all the surrounding circumstances. If it be the intention of the defendant to appropriate the goodwill of another or enable others to do so, I can see no reason why the court should not infer that it will happen, even if there is a possibility that such an appropriation would not take place. If, taking all the circumstances into account the court should conclude that the name was produced to enable passing off, is adapted to be used for passing off and, if used, is likely to be fraudulently used, an injunction will be appropriate. [Mr Carr's emphasis].

It follows that a court will intervene by way of injunction in passing-off cases in three types of case. First, where there is passing off established or it is threatened. Secondly, where the defendant is a joint tortfeasor with another in passing off either actual or threatened. Thirdly, where the defendant has equipped himself with or intends to equip another with an instrument of fraud. This third type is probably mere quia timet action."

131. The Judge rejected the argument. He said, having examined the two key authorities referred to by Aldous LJ, *Singer Manufacturing Co. v. Loog* (1882) LR 8 App Cas 15 and *Lever v. Goodwin* (1887) 4 R.P.C. 492:

[171] Where, therefore, in his general summary Aldous LJ refers to "instruments of deception", he must, as I see it, have been confining himself to goods that themselves made a false representation (usually by their name or packaging); and, by extension, to intangibles (such as domain names) which did the same thing. Accordingly, I accept Mr Wyand's submission that an "instrument of deception" for the purposes of passing off is an article or product which is so inherently deceptive that its existence on the market place constitutes an actionable passing off. In effect an instrument of deception is a misrepresentation waiting to happen which only needs exposure to the eyes, ears (or in this case nose) of the ultimate consumer to complete the tort.

132. I agree with the Judge. If what is complained of does not inherently tell a lie, it is not an instrument of deception in itself. If it does tell a lie, it is no answer to say, as in effect the defendants in *BT* and the two old authorities were arguing: "but there may be circumstances where the lie will not in fact be understood as such." If a third party down the line says something dishonest about a product honest in itself, the vendor of the honest product is not liable in passing off. Nor do I think Aldous LJ was saying anything more or different, for he could not otherwise have explained *Lever v Goodwin* in the way he did:

I believe, when Chitty J. referred to the "means of deceiving the ultimate purchaser," he had in mind a name or a get-up which made a false representation. That was the instrument of fraud. He could not have contemplated that a manufacturer of goods which did not themselves make a false representation was liable for the fraud of a retailer. For example a wine producer

cannot be liable for passing off if a waiter covers a bottle with a cloth and serves it as champagne when it is not. In any case, the suggestion that a manufacturer of goods, which did not by their get-up make a false representation, would be liable for the passing off was rejected in *Payton & Co. Ltd. v. Snelling, Lampard & Co. Ltd.* [1901] A.C. 308 and in subsequent cases.

133. Further, the facts in support of the instrument of fraud claim are thin. Mr Carr relied upon certain internet sites, mainly abroad, where he asserted misrepresentations about the products complained of were made. I have to say I was not impressed with this evidence. The Judge accepted that in some cases a misrepresentation was made but dismissed these principally on the grounds that they were foreign sites with no real likelihood of customers here. There are other reasons too – there is no information as to whether the sites are typical or atypical. There is no evidence that the misrepresentations have anything to do with the get-ups complained of. And finally it is most improbable that anyone would actually be deceived, that any misrepresentation would be operative to deceive – the prices and form of the sites virtually preclude that. I have to say that when Mr Carr was showing us print-outs from these sites, my own reaction was "get real".

134. **Accordingly I would dismiss the passing off claim.**

Unfair competition

135. Mr Carr submitted that the historic fundamental requirement in a passing off action, that there be some sort of misrepresentation, either by the defendant or one for which he was responsible, is now outdated. He submitted that the common law should move on and embrace a tort of "unfair competition" which requires no misrepresentation.

136. He supported his argument in several ways. First he submitted that unfair competition was generally the rule in Continental EU countries. Second he drew our attention to Art.10(bis) of the Paris convention. Thirdly he suggested that existing English authorities had indicated that development was possible.

137. Now at first instance I said in *Hodgkinson & Corby Ltd v Wards Mobility Services Ltd* [1994] 1 WLR 1564:

"At the heart of passing off lies deception or its likelihood, deception of the ultimate consumer in particular. Over the years passing off has developed from the classic case of the defendant selling his goods as and for those of the plaintiff to cover other kinds of deception, e.g. that the defendant's goods are the same as those of the plaintiff when they are not, e.g. *Combe International Ltd v. Scholl (UK) Ltd* [1980] R.P.C. 1; or that the defendant's goods are the same as goods sold by a class of persons of which the plaintiff is a member when they are not, e.g. *Warnink (Erven) Besloten Vennootschap v. J. Townend Sons Ltd* [1980] R.P.C. 29. Never has the tort shown even a slight tendency to stray beyond cases of deception. Were it to do so it would enter the field of honest competition, declared unlawful for some reason other than deceptiveness. Why there should be any such reason I cannot imagine. It would serve only to stifle competition."

138. The facts of the case illustrate just what could be involved in some general law of unfair competition. The defendants had copied a special cushion which prevented sores for immobile users. There was no copyright, registered design or patent. So it was said the copying was "unfair". The claim was rejected because there was no misrepresentation.

139. The rejected complaint shows just how anti-competitive a law of unfair competition would or might be. What one man calls "unfair" another calls "fair". The market involves the interests of traders, their competitors and consumers. They all have different perspectives. An established trader would like the law to hold off all his competitors – and as far as possible. He would want to prevent all copying of his products and for as long as possible, preferably indefinitely. He would want as wide a gap as possible between his trade marks and those of

others. He would oppose any form of comparative advertising. A newcomer will want to be able to copy – and to improve. He will want to be able fairly to advertise comparatively. And the consumer will want the best deal he can get. He would oppose anything deceptive, but probably nothing else.

140. So I think there are real difficulties in formulating a clear and rational line between that which is fair and that which is not, once one goes outside the requirement of no deception.

141. Moreover the basic economic rule is that competition is not only lawful but a mainspring of the economy. The legislator has recognised that there should be exceptions. It has laid down the rules for these: the laws of patents, trade marks, copyrights, and designs have all been fashioned for the purpose. Each of them have rules for their existence and (save for trade marks) set time periods for existence. Each has their own justification. It is not for the judges to step in and legislate into existence new categories of intellectual property rights. And if they were to do so they would be entering wholly uncertain territory.

142. Accordingly I would reject Mr Carr's invitation to invent a tort of unfair competition, even if were open to us to do it – which I do not think it is. I turn to examine his arguments in a little more detail.

143. He showed us some legislation from other countries, namely the US Trademark Dilution Revision Act of 2006 and the German Unfair Competition Act of 2004. Actually I am not convinced, simply by reading the statutes, that they would preclude any of the activities complained of here. I disclaim any knowledge as to how they would actually be applied in a case such as this.

144. The US Act prevents any "use of a mark or trade name in commerce that is likely to cause dilution by blurring or tarnishment of the famous mark." (s.43(1) of the Trademark Act of 1946, as amended) On the facts as found here, there is no likelihood of either blurring or tarnishment. It is true that the Act says that "whether the user of the mark or trade name intended to create an association with the famous mark" (s.43(2)B(iv)) is a relevant factor to be taken into account. But it does not say that concludes the question. And that factor has been taken into account here. It is noticeable that the Act excludes "fair use" which includes "advertising or promotion that permits consumers to compare goods or services" (s.43(3)(A)(i)). It also excludes "parodying" the famous mark owner or his goods (s.43(3)(A)(ii)). There is an element of parody in some of the "winks" in this case.

145. As for the German Act, it proscribes "unfair acts of competition which are likely to seriously impair competition to the detriment of competitors, consumers or other market participants" (Art. 3). This will include "offering goods or services which are an imitation of the goods or services of a competitor" where the trader "takes undue advantage of or harms the good reputation of the imitated goods or services." (Art. 4(9)(b)). This might cover what is complained of in this case but equally it might not. It depends on the German view of what is meant by an "undue advantage," given a finding that the reputation of the imitated goods is not harmed. The German Act is no basis for judicial legislation here. I note that the Munich case relied upon by Mr Carr was before the 2004 Act. So it cannot help in the debate.

146. Art 10(bis) of the Paris Convention (which we were told goes back to the Hague revision of 1925) reads:

[Unfair Competition]

(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(3) The following in particular shall be prohibited:

all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;

false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods."

147. Mr Carr submits the UK is in derogation from this. I do not agree. None of the specific matters identified in Art 10(bis) (3) call for a rule going beyond forbidding deceptive conduct. The general requirement to have a rule forbidding unfair competition does not otherwise spell out what is regarded as "unfair". Art (10)(2) (which finds its echo in Art.6 of the Directive) does not clearly identify what is meant in the Treaty by an act "contrary to honest practices".

148. Moreover even if the UK is in derogation, it has been so for over 80 years without complaint. It is not a matter for the judges.

149. Finally in relation to unfair competition I go to the English authorities which, Mr Carr suggests, leave the door open to a judge-made tort of unfair competition which does not require any form of misrepresentation.

150. First there is Lord Diplock in *Warnink BV v Townshend* [1980] RPC 31, 91:

"the forms that unfair trading takes will alter with the ways in which trade is carried on and business reputation and goodwill acquired."

151. Lord Diplock went on to set forth five characteristics "which must [my emphasis] be present in order to create valid cause of action for passing off". The first of these is "(1) a misrepresentation." It is true that he added:

"Nevertheless the increasing recognition by Parliament of the need for more rigorous standards of commercial honesty is a factor which should not be overlooked by a judge confronted by the choice whether or not to extend by analogy to circumstances in which it has not previously been applied a principle which has been applied in previous cases where the circumstances although different had some features in common with those of the case which he has to decide. Where over a period of years there can be discerned a steady trend in legislation which reflects the view of successive Parliaments as to what the public interest demands in a particular field of law, development of the common law in that part of the same field which has been left to it ought to proceed upon a parallel rather than a diverging course."

152. Lord Diplock applied that to justify his approval of the Champagne line of cases where a false representation as to the nature of the goods (i.e. that they were "real" Champagne) was held actionable at the suit of Champagne makers. But to say that passage justifies an extension of the tort to a case where the first of the characteristics he had just identified is to be abandoned is to go much too far.

153. That is obviously even more the case when one considers the last passing off case to be considered by the House of Lords, *Reckitt & Colman v Borden* [1990] RPC 341. The House clearly considered misrepresentation to be a key ingredient of the tort. Thus Lord Oliver in a speech with which the rest of the House agreed, said:

[The plaintiff] must [my emphasis] demonstrate a misrepresentation by the defendant ...

And Lord Jauncey (who gave the only other substantive speech) speaks throughout of misrepresentation.

154. In *Irvine v Talksport Ltd* [2002] F.S.R. 60 ([13-14], [38], [39]) Laddie J said:

[13-14] The sort of cases which come within the scope of a passing off action has not remained stationary over the years. This is for two reasons. First, passing off is closely connected to and dependent upon what is happening in the market place. It is a judge made law which tries to ensure, in its own limited way, a degree of honesty and fairness in the way trade is conducted. ... an underlying principle is the maintenance of what is currently regarded as fair trading. The law of passing off responds to changes in the nature of trade. .. Second, the law itself has refined over the years...

[39] Not only has the law of passing off expanded over the years, but the commercial environment in which it operates is in a constant state of flux.

[38] If someone acquires a valuable reputation or goodwill, the law of passing off will protect it from unlicensed use by other parties. Such use will frequently be damaging in the direct sense that it will involve selling inferior goods or services under the guise that they are from the claimant. But the action is not restricted to protecting against that sort of damage. The law will vindicate the claimant's exclusive right to the reputation or goodwill. It will not allow others to so use goodwill as to reduce, blur or diminish its exclusivity.

155. None of this justifies the abandonment of the need to prove a misrepresentation. Most of it is about the damage which a misrepresentation will cause, Laddie J pointing out that it can be more subtle than loss of sales.

156. Next Mr Carr took us to another passage of Aldous LJ in *BT v One in A Million*:

The cause of action called passing off is of ancient origin. It has developed over time. As Lord Diplock pointed out in the *Warnink* case, Parliament has over the years progressively intervened in the interests of consumers and traders so as to impose standards of conduct and to ensure commercial honesty. It is therefore not surprising that the courts have recognised that the common law, in that particular field, should proceed upon a parallel course rather than a diverging one. Lord Diplock explained how the cause of action had moved from the classical form over the years. His five characteristics were those he identified in 1980 from previously decided cases, but I do not believe that he was thereby confining for ever the cause of action to every detail of such characteristics, as to do so would prevent the common law evolving to meet changes in methods of trade and communication as it had in the past.

157. Finally he took us to what Aldous LJ said, obiter, in *Arsenal v Reed* [2003] RPC 39:

[70] "I realise that there was no appeal on the conclusion reached by the judge on the cause of action traditionally called passing off, perhaps best referred to as unfair competition. However I am not convinced that his reasoning was correct. The traditional form of passing off as enunciated in such cases as *Reddaway v Banham* [1896] A.C. 199 is no longer definitive of the ambit of the cause of action."

[71] "As Cross J. stated in *Vine Products v Mackenzie* [1969] R.P.C. 1, in relation to the decision in the Spanish Champagne cases:

"A man who does not know where Champagne comes from can have not the slightest reason for thinking that a bottle labelled 'Spanish Champagne' contains a wine produced in France. But what he may very well think is that he is buying the genuine article -- real Champagne -- and that, I have no doubt, was the sort of deception which the judge had in mind. He thought, as I read his judgment, that if people were allowed to call sparkling wine not produced in Champagne 'Champagne,' even though preceded by an adjective denoting the country of origin, the distinction between genuine Champagne and 'champagne type' wines produced

elsewhere would become blurred; that the word 'Champagne' would come gradually to mean no more than 'sparkling wine;' and that the part of the plaintiff's goodwill which consisted in the name would be diluted and gradually destroyed. If I may say so without impertinence I agree entirely with the decision in the Spanish Champagne case -but as I see it uncovered a piece of common law or equity which had till then escaped notice -for in such a case there is not, in any ordinary sense, any representation that the goods of the defendant are the goods of the plaintiffs, and evidence that no-one has been confused or deceived in that way is quite beside the mark. In truth the decision went beyond the well-trodden paths of passing-off into the unmapped area of 'unfair trading' or 'unlawful competition'."

158. I am far from clear what Aldous LJ was contemplating. He does not say expressly that he had in mind the abandonment of the requirement of a misrepresentation. The passage he quotes from Cross J in the Sherry case does not support such a suggestion – for Cross J was simply articulating a different sort of misrepresentation from that which had been recognised before, a misrepresentation which would lead to dilution.

159. If Aldous LJ was indeed contemplating a general "unfair competition" tort at common law, I have, with respect, to say that I do not think it open to the courts to legislate in this way. And most certainly not at this level.

160. Some commentators, generally those who support some wider tort, use the word "misappropriation" of goodwill to designate it, see e.g. Hazel Carty, *The Common Law and the Quest for the IP Effect*, [2007] IPQ 237. I am not sure where I first saw the word used in this context, though I believe it to have come from the USA. I wish to state that I think it very unhelpful. We are all against misappropriation, just as we are all in favour of mother and apple pie. To use the word in the context of a debate about the limits of the tort of passing off and its interface with legitimate trade is at best muddling and at worst tendentious.

161. So, I think the tort of passing off cannot and should not be extended into some general law of unfair competition. True it is that trading conditions have changed somewhat over time – but I cannot identify any particular change which makes a general tort of unfair competition desirable, still less necessary. If the courts (or indeed Parliament) were to create such a tort it would be of wholly uncertain scope – one would truly have let the genie out of the bottle. Accordingly I would dismiss the "unfair competition" appeal.

Overall Conclusion

162. L'Oréal's cross-appeal in respect of the packaging of the current products and the historical versions of the *Pink Wonder* box and the *La Valeur* bottle should be dismissed.

163. The defendants' appeals in respect of the comparison lists and the historical packaging of *La Valeur* and the historical *Pink Wonder* bottle should be stayed pending a reference to the ECJ.

164. The questions the ECJ should be asked are (subject to argument):

1. Where a trader, in an advertisement for his own goods or services uses a registered trade mark owned by a competitor for the purpose of comparing the characteristics (and in particular the smell) of goods marketed by him with the characteristics (and in particular the smell) of the goods marketed by the competitor under that mark in such a way that it does not cause confusion or otherwise jeopardise the essential function of the trade mark as an indication of origin, does his use fall within either (a) or (b) of Art 5 of Directive 89/104?

2. Where a trader in the course of trade uses (particularly in a comparison list) a well-known registered trade mark for the purpose of indicating a characteristic (particularly a smell of a fragrance product) of his own product (particularly its smell) in such a way that:

a) it does not cause any likelihood of confusion of any sort; and

b) it does not affect the sale of the products under the well-known registered mark; and

c) it does not jeopardize the essential function of the registered trade mark as a guarantee of origin and does not harm the reputation of that mark whether by tarnishment of its image, or dilution or in any other way; and

d) it plays a significant role in the promotion of the defendant's product

does that use fall within Art. 5(1)(a) of Directive 89/104?

3. In the context of Art 3a(g) of the Misleading Advertising Directive (84/240) as amended by the Comparative Advertising Directive (97/55), what is the meaning of "take unfair advantage of" and in particular where a trader in a comparison list compares his product with a product under a well-known trade mark, does he thereby take unfair advantage of the reputation of the well-known mark?

4. In the context of Art. 3a(h) of the said Directive what is the meaning of "presenting goods or services as imitations or replicas" and in particular does this expression cover the case where, without in any way causing confusion or deception, a party merely truthfully says that his product has a major characteristic (smell) like that of a well-known product which is protected by a trade mark?

5. Where a trader uses a sign which is similar to a registered trade mark which has a reputation, and that sign is not confusingly similar to the trade mark, in such a way that:

(a) the essential function of the registered trade mark of providing a guarantee of origin is not impaired or put at risk;

(b) there is no tarnishing or blurring of the registered trade mark or its reputation or any risk of either of these;

(c) the trade mark owner's sales are not impaired; and

(d) the trade mark owner is not deprived of any of the reward for promotion, maintenance or enhancement of his trade mark.

(e) But the trader gets a commercial advantage from the use of his sign by reason of its similarity to the registered mark

does that use amount to the taking of "an unfair advantage" of the reputation of the registered mark within the meaning of Art.5(2) of the Trade Mark Directive?

Mr Justice Blackburne:

165. I agree. In particular, I consider, in agreement with Jacob LJ, that the comparative lists appeal raises important and difficult issues which make it appropriate that the guidance of the ECJ be obtained in accordance with (or along the lines of) the questions which he has posed. However, I entertain a real doubt whether the use of the comparison lists in this case was "in accordance with honest practices in industrial or commercial matters" (see Article 6.1) or whether there was compliance with Article 3a(g) of the Comparative Advertising Directive (97/55) which requires that the comparative advertising "does not take unfair advantage of the reputation" of the claimants' fragrances. While I agree that European trademark law should not be overprotective, I am yet to be persuaded that comparative lists of the kind used here and in the circumstances in which they were used should be lawful. To this extent I would not feel able to go quite as far as Jacob LJ (see paragraph 70 of his judgment).

166. I am in agreement with Jacob LJ on the issues which arise concerning Article 5(2) and, in particular, with the desirability of a question directed to the meaning in that article of "unfair advantage" as suggested by him. My only doubt concerns his view (expressed at paragraph 94) that where a person is able to derive a commercial advantage through the "wink" which his product makes at the registered mark but no harm, present or prospective, can be shown to that mark, its distinctive character, or to the mark owner or his business, the use in question should not be characterised as "unfair". For my part, I can well see why such conduct, assuming that it gives to the person in question a commercial advantage, should be treated as "unfair".

167. I am in entire agreement with what Jacob LJ has said on the topics of passing off and unfair competition and, subject to any argument by counsel, with the formulation by him of the five questions which should be referred to the ECJ.

Lord Justice Keene:

168. I agree with the judgment of Lord Justice Jacob.