

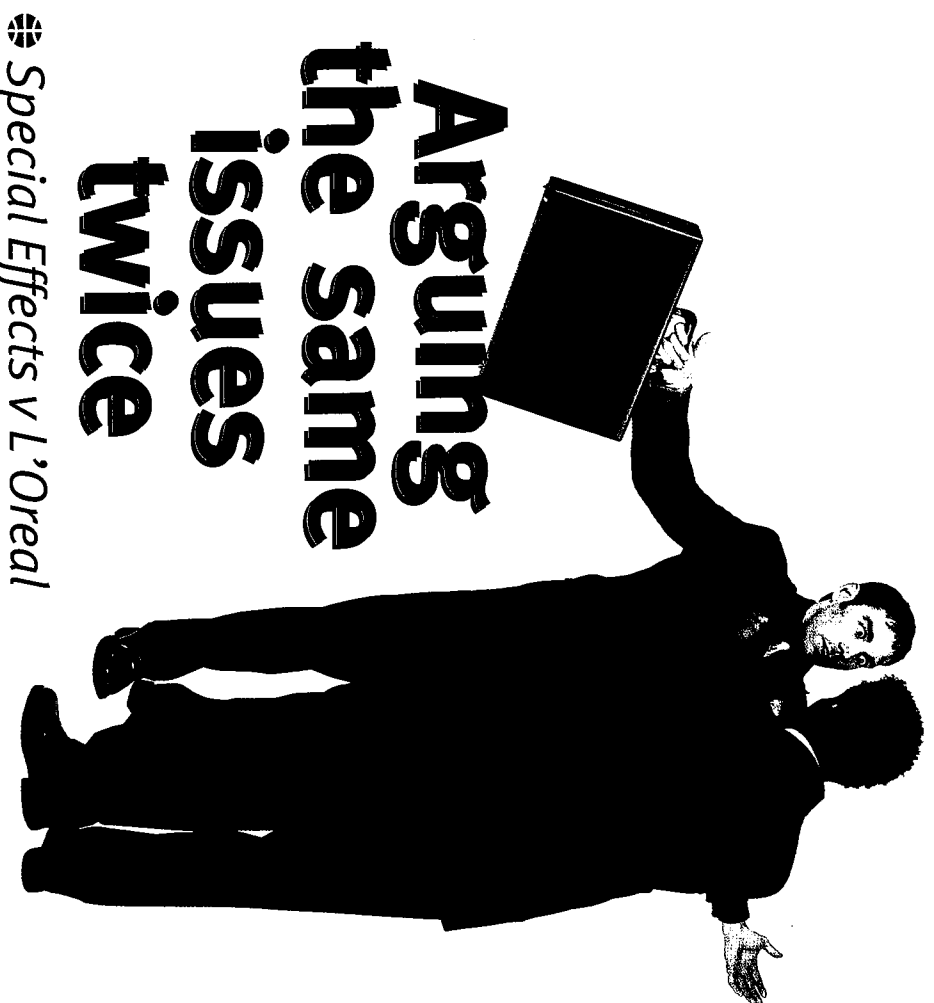
## THE CASE

- L'OREAL SA

- (2) L'OREAL (UK) LIMITED v SPECIAL EFFECTS

- Court of Appeal

- 12.01.07



## Special Effects v L'Oreal

In the light of the recent *Special Effects v L'Oreal* case, **Michele Boote** of The Intellectual Property Group questions how much opposition is too much opposition?

**T**rade mark agents, lawyers and owners can collectively breathe a sigh of relief following the recent judgment in *Special Effects v L'Oreal* handed down in January. Reversing the first instance judgment of Sir Andrew Morritt, the Chancellor, the Court of Appeal ("CA") has held that a party who has participated in opposition proceedings before the Trade Mark Registry is not necessarily barred from taking the same points in later proceedings in which the validity of the trademark is in issue. \*

### Background

In June 2000, Special Effects sought to register the trademark SPECIAL EFFECTS in respect of goods in Class 3 covering, amongst other things, soaps, perfumery and other cosmetics including hair products.

L'Oreal SA opposed the registration on a number of grounds: the words were not distinctive; were laudatory and, if not, the public would be deceived by the use of the mark. It had made extensive use of the letters FX in the UK in relation to hair products, had substantial goodwill and reputation in those letters and had used the trademark in the form SPECIAL FX such that SPECIAL EFFECTS could be prevented by an action for passing off, and,

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relied on in the opposition proceedings. The Defendants did seek to rely on similar grounds and counter-claimed for a declaration of invalidity and for relief on the basis of passing off.

The Court ordered that there should be a trial on a preliminary issue to determine whether cause of action or issue estoppel or abuse of process precluded the Defendants from challenging the validity of Special Effects' mark; or from raising issues on prior use already raised in the opposition proceedings. At first instance, the Chancellor concluded that cause of action estoppel did preclude the Defendants from raising in Court proceedings the arguments, which they had raised in the opposition proceedings and on which they failed. Further, if that were not right, he held that issue estoppel would have the same effect. He did not address abuse of process. The Defendants appealed.

### The Appeal

Both parties accepted that a decision of the Trade Mark Registry was capable of giving rise to an estoppel. The question was whether there was an estoppel here.

**Cause of action estoppel:** This arises where the cause of action in the later proceedings is identical to that in earlier proceedings involving the same parties and subject matter. As a first step, it was therefore necessary to look at the cause of action in the opposition proceedings. The CA does not appear to have struggled long with this issue, concluding in the leading judgment of Lord Justice Lloyd that to describe the applicant for registration as having a cause of action for registration would be "*an inappropriate and artificial use of language*". Similarly, the opponent could not be said to have a cause of action for preventing the registration. Cause of action estoppel did not apply.

**Issue estoppel:** Although a more flexible doctrine than cause of action estoppel, it still requires a final decision by a competent judicial tribunal. There was no such decision here. The CA considered that the co-existence of the provisions for opposition and for a declaration of invalidity meant that opposition proceedings were inherently not final. This was true both in relation to the grounds of invalidity and in relation to the issue of prior use relevant to the passing off claim. There was no issue estoppel.

**Abuse of process:** Special Effects argued in its Respondent's Notice that the

Chancellor should also have decided in its favour on the basis of abuse of process. That, aside from estoppel, it was wrong and unjust to allow a party two bites of the cherry in attacking the validity of a trademark.

In assessing whether there was an abuse of process, the CA looked in more detail at the nature of opposition proceedings in the Registry. Such proceedings are designed to be economical and expeditious. Disclosure can be made on application but is not automatic; similarly, cross-examination. There is limited costs recovery for the successful party. Parties are usually represented by trademark agents and not Counsel. The matter in issue before the Registry is the registration of a

**“The decision is an eminently sensible one and returns us to what everyone had assumed was the position prior to the Chancellor's intervention”**

trademark. If the opposition fails, the trademark will be registered. There is no financial liability or injunction to stop the opponent using its marks.

The CA considered that a potential opponent could reasonably take the view that more limited resources could be deployed on opposition proceedings compared to those in Court proceedings for infringement and a counterclaim for invalidity. Indeed, such an approach accords with the usual tactics employed. L'Oreal itself gave evidence that its practice was to assess the evidence necessary on oppositions by reference to the proximity of the opposed mark to the core brand in issue. Significantly greater resources were devoted to infringement issues involving registered trademarks before the Court. This is really the nub of the issue and why the Chancellor's judgment caused such a stir. Concern was such that the International Trademark Association intervened in the appeal and the Institute of Trade Mark Attorneys provided the CA with a written submission. If the Chancellor were right, the practice in relation to opposition proceedings would change, as the CA itself noted. Parties would either make no attempt at opposition or, if they did, it would be a much more significant and substantial operation closer to the conduct of litigation in Court.

L'Oreal's acts as an abuse of process. Since the legislation does not preclude the same party from seeking a declaration of invalidity, having failed in opposition proceedings. Circumstances would need to be unusual to justify holding that a party who did take advantage of the second opportunity afforded by the legislation was abusing the process of the Court. There is, however, a caveat. The Court was told that, on occasion, opposition proceedings are conducted in a manner similar to High Court litigation with disclosure, cross-examination and Counsel. In these circumstances, the Court acknowledged that it "*could imagine the possibility*" that it might be an abuse to argue the same issue again in Court.

### Comment

The decision is an eminently sensible one and returns us to what everyone had assumed was the position prior to the Chancellor's intervention. Although there is no equivalent to section 79(5) of the Patents Act 1977 in the Trade Marks Act 1994 (a decision of the comptroller-general of patents does not preclude any party to civil proceedings, in which infringement of a patent is claimed, from alleging invalidity of the patent), this was not considered determinative. The decision also mirrors the position adopted by the Opposition Division of OHIM which has expressly said that its decisions are not binding such as to preclude an unsuccessful opponent from seeking cancellation of a trademark in OHIM or by way of a counterclaim in an infringement action in a national court (*Budweiser*, Decision 1646/2001). Opposition proceedings before the Registry can continue to be used as swift, cost-effective and expeditious means of resolving arguments on registration without barring a later action for invalidity. Parties will not have to conduct such proceedings as if they were litigating an infringement action. Given the caveat mentioned above, parties would in fact be better advised *not* to throw all resources at opposition proceedings since they might later face a successful abuse of process argument. What is of concern and needs clarification is where the line should be drawn and how much opposition is too much opposition, prejudicing a future action on validity. Parties would be well advised to err on the side of caution. \*

## AUTHOR

**Michele Boote** specialises in Intellectual Property litigation, focusing on the media and entertainment sector, including television, film, music and sport. Her practice covers disputes involving trade marks, copyright, passing off and breach of confidential information. In 2006, Michele acted for adidas AG in connection with the protection and use of its iconic 3-Stripes on its successful application for injunctive relief against the International Tennis Federation and the Grand Slam tournaments and the subsequent preparation for trial before the matter settled. She also provided IP advice on the sale of Celador International Limited and the rights in various formats which it owned including "Who Wants to be a Millionaire?".

