

WHEN ARE COMPLEMENTARY GOODS SIMILAR?
*WATERFORD WEDGWOOD PLC v ASSEMBLED
INVESTMENTS (PROPRIETARY) LTD*

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INTRODUCTION

This note discusses the May 2009 decision of the European Court of Justice (ECJ) in *Waterford Wedgwood plc v Assembled Investments (Proprietary) Ltd* (reported as case C-398/07 P, [2009] ECR 00, OJ C 153 (4 July 2009) 6) under art 8(1)(b) of the Council Regulation (EC) No 40/94 on the community trade mark ((1994) OJ L 11/1 as amended).

A trade mark is registered in respect of particular goods or services in a specific class of the trade marks register. Through such registration the trade mark holder obtains protection for its rights in respect to those goods or services in the specified class. It is trite that registered trade marks are protected from infringement by the use of an identical or a similar mark on identical or similar goods or services in the jurisdiction of registration. These are the principles of speciality and territoriality, respectively (Roshana Kelbrick 'The new trade-mark infringement provisions: How have the courts interpreted them?' (2007) 19 *SA Merc LJ* 86). Therefore a person can lawfully use or even register a previously registered trade mark in relation to different goods or services in a different class. However, in some circumstances such use or registration would be detrimental to the rights of the owner of the earlier trade mark. The law protects the rights of the owner of the earlier trade mark in those circumstances through remedies for infringement or registration opposition proceedings.

Article 8(1)(b) of the Council Regulation on the community mark enables the owner of an earlier mark to oppose the registration of another trade mark if that second mark is identical or similar to the earlier mark, and the second mark is intended to be registered in respect of identical or similar goods to those covered by the earlier mark, resulting in the likelihood of confusion among the public as to the origin of the goods. In determining an opposition matter brought under this provision, the courts have to decide three issues. First, the courts must determine whether the parties' goods or services are identical or similar. If they are, the courts must then consider whether the parties' marks are similar. Ultimately, if both the goods or services and the marks are similar or identical, the courts must rule on whether consumers will be confused about the origin of the goods or services. If the goods or services are found not to be similar, there is no need to consider the similarity of the marks or the probability of confusion. The critical issue for trade mark owners relying on art 8(1)(b), therefore, is to establish the similarity of the goods or services.

The case under discussion turned on whether wine and wine glasses which are complementary, are similar. In other words, the main question was

whether the degree of complementarity between the goods rendered them similar (Leanne Mostert 'Raise a glass to the winner' (2007) 7(6) *Without Prejudice* available at <http://www.webberwentzel.com/wwb/view/wwb/en/page1874?oid=15554&sn=Detail>, accessed on 22 September 2009).

THE FACTS AND THE JUDGMENT OF THE COURT OF FIRST INSTANCE

A South African company, Assembled Investments, applied for a community mark for its Stellenbosch-produced wines in December 1999 at the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM). Assembled Investments applied for its mark to be registered in class 33. This trade mark consisted of the words 'Waterford Stellenbosch' below a picture. The composite device is depicted below:



In October 2000, Waterford Wedgwood, an Irish company that produces glassware, including wine glasses, opposed Assembled Investments' application. It owns the community mark 'Waterford', which is registered in class 21 for 'articles of glassware, earthenware, china and porcelain' (ECJ judgment (*supra*) para 5). Waterford Wedgwood relied on art 8(1)(b) of Council Regulation (EC) 40/94, which provides:

'Upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered: if because of its identity with or similarity to the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public in the territory in which the earlier trade mark is protected; the likelihood of confusion includes the likelihood of association with the earlier trade mark.'

In the alternative, relying on art 8(5) of the regulations, Waterford Wedgwood argued that allowing registration of the Assembled Investments mark would enable Assembled Investments to take unfair advantage of its reputation without due cause. This argument is not discussed in this note because it was not considered by the courts. The OHIM rejected the opposition in February 2004, finding that the complementarity between wine and wine glasses did not render them similar (ECJ judgment (*supra*) para 7). In April 2004 Waterford Wedgwood appealed against the OHIM decision to the First Board of Appeal of OHIM (ECJ judgment (*supra*) para 8). The Board of Appeal reversed the OHIM opposition decision after

finding that both the goods and the marks were similar, rendering it likely that there could be confusion under art 8(1)(b). It held that the goods were similar due to ‘the high degree to which’ they ‘complement each other’ and that the marks were ‘highly similar on the visual, phonetic and conceptual levels’ (ECJ judgment (supra) para 9, Board of Appeal decision case R 240/2004-1, unreported). Assembled Investments successfully appealed against this decision to the Court of First Instance (CFI) (OJ C 170 (21 July 2007) 22). In its judgment of 12 June 2007, the CFI found that wine and wine glasses were in fact not similar goods, and did not even proceed to discuss the similarity of the marks (Case T-105/05, unreported, paras 31–35). It is noteworthy that the CFI emphasised the critical requirement that the goods or services must be similar or identical to necessitate a comparison of the relevant marks (CFI judgment (supra) paras 27–8). It then carried out a comprehensive assessment using the considerations listed by the ECJ in para 23 of *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* (Case C-39/97 [1998] ECR I-5507). Paragraph 23 of *Canon* reads:

‘In assessing the similarity of the goods or services concerned . . . all the relevant factors relating to those goods or services themselves should be taken into account. Those factors include, inter alia, their nature, their end users and their method of use and whether they are in competition with each other or are complementary.’

Canon was decided under art 4(1)(b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks ((1989) OJ L 40 at 1), which provides:

‘A trade mark shall not be registered or, if registered, shall be liable to be declared invalid *if because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.*’ (My emphasis.)

The italicised wording is identical to that of art 8(1)(b) of the Council Regulation on the community mark, quoted in full above. Thus its interpretation was applied by the CFI in its assessment of the similarity between wine and wine glasses. In paras 30–5 of its judgment (supra) the CFI then proceeded to consider the factors listed in para 23 of *Canon* (supra). First, the CFI pointed out that wine and wine glasses ‘are distinct by *nature* and by their *use*, that they are neither in *competition* with one another nor *substitutable* and are not *produced in the same areas*’ (supra para 31, my emphasis). It then held that although wine and wine glasses are sometimes sold together, this occurred to a negligible extent with limited commercial significance, and it was not generally considered an indication that the goods originated from the same supplier (supra paras 32–3; Giuseppe Bertoli ‘Advances and halts in the recent case-law of the CFI concerning the community trade mark’ (2009) 9 *ERA Forum* 609 at 616). Finally, the CFI held that although the goods were complementary, that ‘complementarity was not sufficiently pronounced’ to render the goods similar because wine could be drunk from ‘other vessels’

and wine glasses could be used for other purposes (supra para 34). In other words, the goods were not dependent on each other. Complementary goods will only be found to be similar where they are indispensable to each other (Leanne Mostert op cit; *Mülhens GmbH & Co KG v OHIM (TOSCA BLU)* Case T-150/04 [2007] ECR II-2353 para 38; Bertoli op cit at 615).

The CFI did not proceed to compare the relevant marks as the crucial finding of similarity between the goods had not been made. It simply concluded in para 35 that:

‘Having regard to all of the foregoing, it must be held that articles of glassware and wine are not similar goods. Consequently, there can be no likelihood of confusion between the conflicting marks and the applicant’s second plea must therefore be accepted.’

Waterford Wedgwood then appealed against the CFI’s decision to the ECJ in August 2007. As noted earlier, judgment was handed down on 7 May 2009. The following section outlines and discusses the ECJ’s decision.

THE ECJ DECISION

Waterford Wedgwood had two grounds of appeal. First, it argued that the CFI used the wrong test or approach in assessing the similarity of wine and wine glasses because it failed to consider the distinctiveness of the earlier mark (supra paras 21–22). Secondly, it contended that the CFI had not relied on ‘any evidential basis’ and had thus distorted the facts on which it relied to make a finding of a lack of similarity between the goods (supra paras 20 and 37).

In ruling on the first ground of appeal, the ECJ began by emphasising the significance of establishing the similarity between the goods, since this is the key first step in interpreting and applying art 8(1)(b). It noted that even where the marks in question are identical and the earlier mark is highly distinctive, ‘it is still necessary to adduce evidence of similarity between the goods or services’ (supra para 34). The ECJ emphasised that the distinctiveness of the earlier mark was not relevant to the assessment of similarity between the goods, and only became relevant in the enquiry into the probability of confusion among consumers (supra paras 31–2 and 35). The ECJ did not carry out its own assessment of similarity between wine and wine glasses but merely noted in paras 35 and 43 of its judgment that the CFI had carried out a comprehensive assessment using the considerations listed in para 23 of *Canon* (supra). The ECJ did not expressly address the significance of the complementarity between wine and wine glasses. It simply affirmed the CFI’s approach as the proper approach and upheld the CFI’s finding that the goods were not similar.

The ECJ explained that the enquiry into possible confusion will only be conducted after similarity between both the goods or services and the marks in issue has been established. It is at that stage that the interdependence of the two earlier assessments will become relevant. The ECJ explained this interdependence as follows in paras 32–4:

‘[M]arks with a highly distinctive character, either per se or because of the recognition of them on the market, enjoy broader protection than marks with a less distinctive character (see *Canon*, paragraph 18, and *Lloyd Schuhfabrik Meyer*, paragraph 20). It follows that there may be a likelihood of confusion, notwithstanding a low degree of similarity between the trade marks, where the goods or services covered by them are very similar and the earlier mark is highly distinctive (see, to that effect, *Canon*, paragraph 19, and *Lloyd Schuhfabrik Meyer*, paragraph 21). *However, the interdependence of those different factors does not mean that the complete lack of similarity can be fully offset by the strong distinctive character of the earlier trade mark.*’ (My emphasis.)

Factoring in this interdependence is also referred to as the global appreciation approach. This approach is not discussed in this note because it was not applied by the ECJ — it was not necessary for the court to do so. There was no need to proceed either to the comparison of the marks or to an assessment of the likelihood of confusion, because the goods were found to be neither similar nor identical. There was thus no opportunity to consider interdependence.

With regard to the second ground of appeal, the ECJ held that appeals can only be brought on points of law. It has no jurisdiction to appraise facts and evidence adjudicated on by the CFI unless those facts or evidence have been distorted (supra para 40). The ECJ held that Waterford Wedgwood had neither shown nor proved that the CFI had distorted the facts (supra para 42). The court found that Waterford Wedgwood had simply alleged that the CFI had not ‘adequately reason[ed] its decision’ (supra paras 31 and 43). The ECJ found that the CFI had in fact adequately reasoned its decision and had ‘carried out a detailed comparative assessment of the goods in question’ (supra para 45). The court therefore held that the facts had not been distorted (para 46), and the appeal was therefore dismissed in its entirety.

In summary, a three-stage approach emerges from the CFI’s judgment, which was endorsed by the ECJ. The first stage is an assessment of whether the goods or services are similar or identical. Such an assessment considers the nature, use, and users of the goods and services, and any competition and complementarity between the goods or services. Complementary goods will be similar where they are indispensable to each other. If the goods or services are similar or identical, an assessment of the similarity between the relevant marks will be conducted. If the marks are also similar or identical, the possibility of confusion among consumers will then be evaluated. The distinctiveness of the earlier mark then acquires added significance as it may offset low levels of similarity between the goods or services. South African courts will find the ECJ’s position as enunciated in this judgment to be of great relevance because our legislation has similar provisions, as will be shown below (cf Mostert loc cit).

THE SOUTH AFRICAN POSITION

South African courts expressly follow the ECJ’s case law when dealing with similar matters (see *Klimax Manufacturing Ltd & another v Van Rensburg &*

another 2005 (4) SA 445 (O) para 27). Section 10(14) of the South African Trade Marks Act 194 of 1993 provides that a mark is not capable of registration if it is similar to an earlier mark and both marks are used or are to be used in relation to similar goods, and if there is a likelihood of confusion among consumers. It uses wording very similar to that of art 8(1)(b) and provides:

‘Subject to the provisions of section 14, a mark which is identical to a registered trade mark belonging to a different proprietor or so similar thereto that the use thereof in relation to goods or services in respect of which it is sought to be registered and which are the same as or similar to the goods or services in respect of which such trade mark is registered, would be likely to deceive or cause confusion, unless the proprietor of such trade mark consents to the registration of such mark.’

This section may be used to oppose the registration of a trade mark under s 21 of the Trade Marks Act (C E Webster and G E Morley *Webster and Page: South African Law of Trade Marks* 4 ed (1997) para 8.31 (hereafter *Webster and Page*). There is no case law on such use of s 10(14). However, *Danco Clothing v Nu-Care Marketing Sales and Promotions* 1991 (4) SA 850 (A), which concerned the interpretation of s 17(1) of the former Trade Marks Act 62 of 1963, is relevant. Section 17(1) was the predecessor of s 10(14) and was a ground for opposition and expungement under the 1963 Act (*Webster and Page* para 8.13). It provided:

‘Subject to the provisions of sub-s (2), no trade mark shall be registered if it so resembles a trade mark belonging to a different proprietor and already on the register that the use of both such trade marks in relation to goods or services in respect of which they are sought to be registered, and registered, would be likely to deceive or cause confusion.’

This wording is obviously different from that of s 10(14) of the 1993 Act and art 8(1)(b) of the EU Council Regulation on the community mark. However, it contemplates and regulates the same situation. *Webster and Page* notes that s 10(14) of the 1993 Act retained the phrase ‘likely to deceive or cause confusion’ and argues that the tests for similarity under both sections should be the same (para 6.11). Therefore, the principles laid down by the court in *Danco* (supra) are relevant to this discussion. To place these principles in context, a brief outline of the facts follows.

Danco Clothing had registered the mark ‘French Connection’ in class 25 for ‘articles of clothing for women and girls’ and ‘articles of clothing of all kinds’ in 1980 and 1983 respectively (supra at 856). These marks gained a substantial reputation and in June 1988 Danco Clothing applied for the registration of the same mark in class 3 for ‘soaps, perfumery, essential oils, toiletries, deodorants, cosmetics, hair lotions and hair care products of all kinds; sun-tan preparations; dentrifices’ (supra at 857). Prior to lodging its application for registration, Danco Clothing discovered that Nu-Care had registered an identical mark (‘French Connection’) in class 3 in 1985. Danco unsuccessfully attempted to purchase rights to that mark from Nu-Care (supra at 856–7). In November 1988 Danco Clothing then brought an

application to have Nu-Care's trade mark expunged on the grounds that it should not have been registered in 1985 as this registration contravened s 17(1). The court therefore had to determine whether Nu-Care's use of the mark in relation to cosmetics would probably cause confusion when compared to Danco Clothing's use of the mark in relation to clothing (Gavin E Morley 'Containers, scent and clothing' (1991–1992) *Managing Intellectual Property* 24 at 25). If so, Nu-Care's mark would have to be expunged. In this case there was no need to compare the marks as they were identical. Once similarity between the goods was established the court could proceed to consider the probability of confusion as to the origin of the goods.

In comparing cosmetics and clothing the court considered their nature, use and distribution channels (*Webster and Page* para 6.12). First, the court noted that the goods were 'accommodated in different classes on the register' and were 'of a widely divergent nature' (supra at 860). However, they were to be considered similar because they were 'sold, according to the undisputed evidence, in close proximity, through the same trade channels' and it has been established through expert testimony that 'customers in retail outlets of this sort would as a matter of course associate a mark on cosmetics with the identical mark on well known and popular brands of clothing' (supra at 860). The court therefore concluded as follows (supra at 861, my emphasis):

'Having regard to the evidence relating to the *nature* of the goods (the appellant's clothing and the respondent's cosmetics), their respective *use*, and the *trade channels* through which the appellant's and the respondent's goods can notionally be retailed, the likelihood of deception or confusion amongst a substantial number of persons has, in my opinion, been established on the probabilities.'

The court held that Nu-Care's mark should be expunged.

Three comments may be made about the *Danco* decision. First, the case exemplifies our courts' approach to the comparison of complementary goods under s 17(1) of the 1963 Act. The same approach will probably be used to determine cases brought under s 10(14) of the current Act. *Webster and Page* (para 6.12) suggests that in appropriate cases other factors should be considered, such as the users of the goods or services and the extent to which they are competitive.

Secondly, the court did not expressly comment on the complementarity between the goods, but this was implied in the court's reference to their use. This lack of emphasis on the significance of the levels of complementarity is markedly different from the European approach, which requires that complementary goods be indispensable to each other to be considered similar. As a result, the court reached a different result from the European courts dealing with similar circumstances. For example, in *Mülhens GmbH & Co KG v OHIM* (supra para 36, my emphasis) the CFI held that cosmetics and clothing are not similar:

'In order to give rise to a degree of similarity for the purposes of Article 8(1)(b) of Regulation No 40/94, this aesthetically complementary nature must *involve*

a genuine aesthetic necessity, in that one product is indispensable or important for the use of the other and consumers consider it ordinary and natural to use these products together.'

Thirdly, the South African judgment did not set out the three-step test to be used in such circumstances with as much detail and clarity as both the CFI and ECJ did. European jurisprudence will thus be invaluable to our courts when they next have occasion to adjudicate on such matters and to set out the correct approach.

CONCLUSION

It therefore appears that while art 8(1)(b) of the EU Regulations on the community mark and s 17(1) of the 1963 South African Trade Marks Act are similarly worded, their interpretation and application have led to different results in cases involving complementary goods. In Europe, cosmetics and clothing are considered dissimilar because they are not indispensable to each other, while our courts have found them to be similar for trade mark purposes.

It is possible to make an informed guess about what the outcome of the *Waterford Wedgwood* case would have been if it had been before our courts under s 10(14) of the 1993 Trade Marks Act. It is clear that, to assess similarity, our courts would have used the same factors used in *Danco* (supra) and suggested in *Webster and Page*, namely, the nature, use, users and trade channels of the goods and services. The court's probable finding would have been that wine and wine glasses are of a divergent nature, as they are accommodated in different classes and are used or consumed differently. Furthermore, evidence placed before the European courts proved that wine and wine glasses are not sold together to a significant extent. There is no reason why our courts would not have accepted the same evidence. On that basis the goods would have been found to be dissimilar.

It is difficult to predict how much emphasis our courts would have placed on the complementarity between wine and wine glasses, as this aspect was not discussed in *Danco* (supra). It is possible that they would have followed the European approach and required indispensability to make a finding of similarity. However, even without this aspect, I believe our courts would have ruled that wine and wine glasses are not similar, based on their nature, use, users and trade channels.




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