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'Cross-bottling' found to infringe trademark
United Kingdom - McDermott Will & Emery UK LLP

Confusion
Passing off

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In *Schütz (UK) Ltd v Delta Containers Ltd* ([2011] EWHC 1712), the High Court has held that the claimants' trademarks had been infringed. The dispute concerned the sale of rigid composite intermediate bulk containers (IBCs) used for the transportation and storage of liquids or pourable solids. These containers consist of three components:

- a plastic bottle that contains the liquid or pourable solid;
- a metal cage of steel bars into which the plastic bottle could be placed; and
- a pallet to which the cage is fastened so as to allow the IBC to be moved by a forklift truck and stacked during transportation and storage.

Inherent in the design of the IBC is that it can be re-used. However, the cage is likely to have a longer lifespan than the plastic bottle, because the bottle's capacity for re-use will be limited by the properties of the liquids it is filled with. As a result of this mismatch in lifespan, a practice has evolved of 're-bottling'. Initially, this practice was limited to a like-for-like replacement. However, because the dimensions of the IBC bottles from a number of the main manufacturers are substantially the same, a more recent practice of 'cross-bottling' has evolved.

The claimants in this action (collectively Schütz) manufacture IBCs. The defendants (collectively Delta) operate a business which is involved in cross-bottling. As part of Delta's business, it would replace a used plastic bottle from a Schütz IBC with a bottle from another manufacturer. The reconditioned IBC would then be supplied to a 'filler' who would fill the IBC with the liquid or pourable solid requested by an 'end user'.

Schütz was the proprietor of six marks relevant to the action, three UK marks and three Community trademarks (CTMs). The UK marks' registration made them apt to cover the overall IBC assembly. The CTMs were registered in respect of the cage and the bottle separately. The metal cage used in the Schütz IBC conspicuously displayed the name Schütz and a triangular device. Schütz's case was that:

- when Delta cross-bottled and then sold a Schütz IBC with the bottle of another manufacturer, it was infringing its marks in relation to both the bottle and the IBC as a whole; and
- Delta was passing off its cross-bottled IBCs as a Schütz IBC.

Delta's case was that the customers who bought their cross-bottled IBCs (using a Schütz cage) were well aware that the bottles may originate from a manufacturer other than the maker of the cage. In this regard, the relevant consumer was an important consideration for the outcome of this action.

Having drawn an interesting analogy between the case at hand and a car that had Pirelli-branded tires (there would be no question of the PIRELLI mark being thought of as being used in relation to the car), the first question the judge considered was the nature of the test to apply in circumstances where the use of the mark was not so obvious as in his analogy. Following submissions from both parties, the judge broadly adopted the test put forward by Schütz - that the question to address was whether the mark was being used "in a trademark sense". Answering this question required a consideration of what the average consumer would perceive, and thus required an identification of the relevant average consumer.

The judge found that there were two classes of user. The first were the fillers, who dealt directly with Delta and used the IBCs for the delivery of industrial fluids/pourable solids to the second user, the end user. The end user would generally purchase the IBC along with its contents, and the IBC would be used by the end user as a convenient means of storage, and as a convenient means of dispensing the contents. Importantly, while the judge found that the fillers did not consider that Delta's use of Schütz's marks on the cage to be use in relation to the bottle and to the IBC as a whole, he found that end users did. Schütz relied upon the end user's perception. Delta sought to argue that the end user was not a consumer. This became the key issue for deciding the case.

In addressing this issue, the judge found that, although Delta did not deal directly with end users, and although end users were not likely to request IBCs from a specific manufacturer, the end user still saw Schütz's mark as a badge of origin. The IBC performed a function for the end user. So long as the IBC performed this function well, the role of Schütz's mark was considered by the judge to be of little consequence. However, if the product were to fail, the judge considered that the end user would be likely to blame the proprietor of the trademark on the IBC cage. The typical end user of a Delta rebottled IBC with a

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Schütz cage would therefore think that Schütz's mark was being used in relation to the IBC as a whole, including the bottle. Schütz's case for trademark infringement was made out.

This finding was despite the fact that Delta had sought to use various disclaimers on the IBC, and that the bottles may well have had marks from other manufacturers on them. On the facts, the end users did not notice these aspects of the IBC and, therefore, they did not alter the overall impression gained by the average consumer that the mark was being used in relation to the overall IBC.

Schütz was also successful in proving its case on passing off. No challenge was made to goodwill or reputation. On the basis of the findings in relation to trademark infringement, there was a real risk that, in the event of failure (for whatever reason), the end user would blame Schütz. The judge held that this was sufficient to succeed:

"A successful claim in passing off does not, in my judgment, require any demonstration that the defendant's product is of lower quality, or more prone to failure, than the claimant's product. Likelihood of damage may be sufficiently proved by a demonstration that the mistaken association in the mind of consumers between the claimant and the defendant's product exposes the claimant's goodwill and reputation to damage by being wrongly blamed for a failure, or a defect, should it occur".

The end users are not the classic relevant consumer from a trademark perspective. The mark was not being used to draw them to purchase the product, indeed the end user did not care about the origin of the IBC, so long as it was fit for purpose. Yet, the end user was taken to be a relevant consumer for the purposes of assessing infringement. Arguably, this treatment extends the ambit of infringement actions because the court is not only considering the perception of the purchaser of the goods to the mark, but the perception of additional users of the goods - especially if that user is going to see the mark as a sign of quality.

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