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Trademark surveys - a phoenix from the flames?

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Confusion
Passing off

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Following the widely known *Interflora I* and *II* cases (*Interflora Inc v Marks and Spencer plc* ([2013] FSR 21) and *Interflora Inc v Marks and Spencer plc (No 2)* ([2013] FSR 26)), the UK courts have been seen to clamp down on the use of survey evidence (and evidence gathering exercises) in trademark and passing-off actions. With any party wishing to adduce survey evidence in relation to issues such as confusion having to apply to the court for permission and satisfy the criteria following from the *Interflora* cases, judges at case management hearings act as gatekeepers to prevent parties wasting money on surveys which are of no evidential value at trial, yet cost the parties significant amounts in carrying them out.

On July 22 2014, on an interlocutory application in an action for trademark infringement and passing off, Mr Justice Morgan was called upon to perform such a role in *Enterprise Holdings Inc v Europcar Group UK Ltd* ([2014] EWHC 2498 (Ch)) and in relation to the claimant's application for permission to adduce survey evidence on the distinctiveness of its marks. These surveys went to the issue of whether the claimant's marks (indeed a particular consistent element of the claimant's marks - a green logo) had acquired distinctiveness through use.

After considering whether the same rules applied to the admission of surveys on the issue of acquired distinctiveness as applied to confusion (which it was found that they did) and after the judge had considered whether the nature of the surveys rendered them invalid (which in this case they were not), the judge went on to address whether the surveys that the claimant sought to admit were (a) going to be of "real value" to the judge at trial and (b) whether that value of the survey justified the cost. Save for the aforementioned point on the lack of differentiation between the rules concerning admission of surveys on confusion and distinctiveness, it is here where the key practice points can be found.

In addressing the 'real value' of the survey, Mr Justice Morgan found that a trial judge would have difficulty in assessing the question of acquired distinctiveness through the use of the mark without assistance. While it might be that the evidence produced for the trial would assist a trial judge in this regard, as Mr Justice Morgan did not have sight of that evidence (as it was not yet due to be served), he could not presume that such assistance would be available. On this basis, as the survey was valid, it naturally followed that the associated survey evidence would be of real value:

> *"My conclusion is that the surveys will be of real value at the trial. I have already explained what is involved in the concept of a mark having a distinctive character acquired through use. I do not consider that a trial judge in this case will be able to determine that question by using his own knowledge and experience. Even if a trial judge thought that he had relevant knowledge and experience, the trial judge would wish to guard against the possibility that his view might be somewhat idiosyncratic or not fully informed. Of course, the trial judge will have evidence on the question of distinctiveness over and above the survey evidence. At the present stage, I do not have sight of that evidence. It is not possible at this stage to assess whether the survey evidence will be of real value in addition to the other evidence but, as I read the decision in* Zeebox*, I am not required to attempt to carry out that exercise."*

These findings left the defendants with one push to close the gate on the surveys, namely whether the likely value of the surveys justified the cost, and it is in relation to this issue that the defendants trapped their fingers in the metaphorical gate, thereby preventing it from closing.

The judge did not consider that the cost/benefit test applied to the cost of the survey *per se*. Instead the judge considered the relevant costs to be those that the defendant would incur in addressing the surveys at trial:

> "*It seems to me that the cost/benefit test must be primarily for the purpose of saving costs for the party (in this case, Europcar) which opposes the admission of survey evidence. I do not see how that the test is designed to protect Enterprise who positively wants to rely on survey evidence. I can see that the court will have an interest of its own in preventing prolongation of a trial by the admission of survey evidence which is not likely to be of real value; however, that is not a major consideration in this case where the time estimate for the trial is four days, with one day for the judge's pre-reading*."

The problem that this gave rise to for the defendant (and, following this ruling, any party seeking to rely upon this heading to resist admission of such evidence) was that the cost of dealing with the survey evidence at

trial was said to be £99,000, but the defendant had spent £109,000 in resisting its admission:

> "*Approaching the cost/benefit test on the basis that it is designed to protect the party opposing the admission of survey evidence, I comment that Europcar has already spent £109,000 in seeking to protect itself against the possibility that it will incur an estimated cost at trial of £99,000. That casts doubt on the extent of Europcar's concern as to the cost of survey evidence. Further, Mr Hobbs has told me that if I permit Enterprise to rely on survey evidence, Europcar will wish to appeal that decision; it will thereby incur further cost.*
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> *I have already held that survey evidence is likely to be of real value in this case. Europcar regards £109,000 (and indeed the further costs of an appeal) as proper expenditure on the question whether such evidence should be admitted at the trial. I have referred to both sides' estimated costs for the trial. Judged against the background of these figures, I consider that the cost of the survey evidence should not prevent Enterprise relying upon such evidence which I have held is likely to be of real value at the trial*."

The judge admitted the survey evidence.

Pending the outcome of the appeal alluded to in Mr Justice Morgan's judgment, the judge's reasoning and normal timing of an application of this nature now leaves the gate open for the admission of survey evidence. In terms of real value, the survey in this action was considered necessary because of the finding that the trial judge would not be able to answer the key question on distinctiveness without further assistance. At the stage these proceedings had reached, no witness/expert had been served, and so Mr Justice Morgan as gatekeeper could not say whether such evidence would assist the trial judge (and obviate the need for the survey evidence). As a result, and perhaps almost as night follows day, the survey passed the real value test.

Had the application been made after evidence had been served the answer could have been different. But the timing is almost entirely academic as a party will normally apply to adduce survey evidence well in advance of having to serve witness and expert evidence. The assessment of real value is therefore perhaps diminished in value as a gatekeeping test by this ruling.

To push the gate open a bit more, Mr Justice Morgan's finding on costs also works in an applicant's favour. It seems to follow from the judgment that the stronger a respondent resists the admission of evidence and builds up associated costs, the more likely it is that the applicant will jump this hurdle.

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