

Why unregistered trade marks could see trouble brewing for beer brands

Chris Baume, trade mark attorney at leading European intellectual property law firm, Potter Clarkson, looks at how brewers can protect their brand in an increasingly crowded market.

Brand value is clearly highly prized in the brewing sector – between 2009 and 2019, the number of UK trade mark applications filed covering “beer” (trade mark class 32) increased by more than 500%. Despite this, many brewing businesses are still not registering their marks and, instead, rely on their use of a trade mark to generate rights in the UK.

As the market becomes increasingly crowded, competition between rival brands will inevitably result in more disputes as those with registered rights flex their litigation muscles. Conversely, those with unregistered trade marks could be exposed if a conflict with a third party arises.

Here, we cover the issues for consideration and practical steps beer brand owners can take to protect themselves.

Determining unregistered rights

A key benefit of a registered trade mark is the ability to simply produce the certificate as evidence of the existence of a right and to show when the right was established. By contrast, an unregistered right in the UK requires its owner to demonstrate that:

1. The use of a sign has generated a goodwill attributable to the business in the UK;
2. Another business has made a misrepresentation to consumers and the misrepresentation has led to confusion; and
3. Misrepresentation has resulted, or could result, in damage to the goodwill.

These three elements of “passing off” are cumulative and must be satisfied by filing supporting evidence. Often, a significant amount of evidence is required to demonstrate each of the three elements of “passing off” to bring a successful claim. This law on passing off is complicated, claims can be difficult to prove and, as the burden of proving passing off rests with the trade mark owner, taking action can be expensive.

Looking at the 10 trade mark cases involving conflicting goods in class 32 during the past decade, the overwhelming majority have relied on passing off as a ground for registration. However, most of these were unsuccessful in showing evidence of passing off.

Scope of protection

Registered trade marks provide much stronger protection than goodwill because they give a business a legal monopoly over a trade mark, which means no one else can use the same or similar trade mark in relation to the registered goods and services in the country it is registered. Maintenance of a registered trade mark, by renewing it when required and keeping it in use, means a trade mark registration can last as long as the mark itself. The very first UK registered trade mark, the Lion Red Triangle, registered in 1876.

Goodwill, however, does not necessarily give a business the same exclusivity over a third party's use of a sign. Passing off allows a business to stop another trader from using the same name when this causes confusion, but this might be geographically limited and the scope of the right granted may be limited by the content of the goodwill and the third party's use of other circumstances.

What should brewing brands do?

Registration might not always be feasible because, for example, an application could be blocked by a similar existing trade mark. If the business can only rely on passing off, we recommend keeping a record of the following type of information and documents to demonstrate the business' trading history in relation to the trade mark, which will help in evidencing goodwill:

- Ownership of the business and any changes to that ownership
- Customer lists
- Invoices
- Sales figures/volume
- Area of trade

Photographs of products and labels

- Press coverage
- Promotional/advertising campaigns
- Awards
- Customer feedback or comments that might indicate confusion

However, gathering this evidence can be time consuming. Consequently, the cost of proving that a business has an enforceable unregistered right under the law of passing off will almost always be significantly more than the cost of acquiring a registered trade mark.

Commercial realities

Unlike registered trade marks, goodwill cannot exist independently of the business, nor can it be sold, purchased, or transferred separately. When a business is transferred, the purchaser will usually acquire all tangible assets, such as equipment, stock, premises, and staff, etc., but may also want the acquired business to continue trading, which will involve the transfer of intangible assets, including the business' goodwill. Calculations for the value of a business' goodwill are complex and require specialist financial advice – those with unregistered rights may not realise the full value of their brand assets.

The bottom-line commercial reality is clear – if a trade mark is available and registrable it is always recommended to register it rather than rely solely on goodwill and passing off. By obtaining registration of a business' valuable trade marks, you will save time, stress and expense, as well as enhance the value of the business should you ever wish to sell.

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