

World Trademark Review Daily

adidas loses Supreme Court appeal against importer of four-stripped shoes
Israel - Gilat, Bareket & Co., Reinhold Cohn Group

Confusion
Passing off

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In *adidas Salomon AG v Yassin* (CA 563/11, August 27 2012), the Supreme Court - by a majority opinion - has dismissed an appeal by *adidas Salomon AG* against a decision of the Tel Aviv District Court finding that the defendant, an importer of shoes bearing four stripes, had not infringed adidas' well-known three-stripe mark.

In 2010 the Tel Aviv District Court [rejected the action](#) brought by adidas against an importer of sports shoes bearing four diagonal stripes and the word 'Sydney', which had been seized by the Customs Authority. adidas alleged infringement of its well-known registered three-stripe mark, dilution, passing off and unjust enrichment. It sought the destruction of the goods, accounting, damages and an injunction preventing the importer from using four diagonal stripes on shoes.

Prior to the commencement of the trial, adidas had rejected the defendant's proposal to add a fifth stripe or cover the stripes with an 'X'.

The district court extensively reviewed the policy considerations underlying the protection of trademarks in general, and well-known marks in particular. It concluded that, absent a likelihood of confusion or an attempt to benefit from another's goodwill, competition was not unfair. It held that, under the test of confusing similarity, the defendant's four-stripped, low-priced shoes, which prominently bore an unrelated trade name and were intended for retail at lower-end points of sale, were not likely to cause confusion with adidas' well-known three-stripe mark.

The district court had regard to evidence of other two and four-stripped sport shoes on the market. The court observed that stripes were inherently weak marks and that their protection from dilution should not extend to similar marks - otherwise adidas would obtain an unwarranted monopoly over the use of diagonal stripes on sport shoes in general, which would unduly prejudice competition. The district court further held that the defendant's conduct did not constitute passing off. It found that, in the absence of unfair competition or of an attempt to free-ride on adidas' reputation, no dilution had taken place and unjust enrichment had not been established. The court noted in an *obiter dictum* that consumers were entitled to enjoy the use of marks that derive from well-known marks, as long as such use does not free-ride on the goodwill of the well-known mark.

In its appeal to the Supreme Court, adidas argued, among other things, that the district court had erred in:

- failing to examine the similarity between its mark as it appeared on the Trademarks Register and the defendant's mark as it appeared on its products (rather, it had compared both marks as they appeared on the products); and
- finding that stripes marks were inherently weak.

adidas further argued that the district court had erred in finding that the defendant did not attempt to free-ride on adidas' reputation, while holding at the same time that:

- the defendant's products afforded the experience of buying shoes that "somewhat resembled" those of adidas; and
- the defendant had no other reason to use the four-stripe mark.

The Supreme Court first affirmed the district court's finding that the defendant's sports shoes, which prominently bore the name Sydney and were intended for sale at low-price points of sale (open-air markets), did not create a likelihood of confusion or association with adidas' well-known three-stripe mark.

The Supreme Court noted that, while it had been held in the past that marks should be compared by reference to the mark as it appears on the register (rather than the marks as they appear on the products), this authority applied mainly to word marks. Device marks - and especially marks that consist of elements that may be perceived as aesthetic features, such as stripes sewn on a shoe - must be considered in conjunction with the products that they designate; it would be artificial to detach the marks from the products.

The court further held that secondary meaning does not supersede inherent distinctiveness, and that both inherent and acquired distinctiveness are assessed in parallel when determining the likelihood of confusion.

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The Supreme Court held that, while adidas' three-stripe mark had undoubtedly acquired a strong secondary meaning, its innate nature (weak inherent distinctiveness) would still affect the scope of protection to be afforded to the mark *vis-à-vis* non-identical marks, with regard to which a likelihood of confusion needs to be shown. The court added that the fact that the defendant attempted to imitate the plaintiff's mark did not necessarily imply that the defendant intended to mislead consumers; sometimes, a finding of intention to mislead does not necessarily warrant the conclusion that confusion actually took place.

Accordingly, the Supreme Court confirmed that there had been no infringement of adidas' well-known mark, and no passing off. With respect to passing off, the court noted that a finding of trademark infringement does not automatically result in a finding of passing off; conversely, there may be situations where passing off is established, but the trademark has not been infringed.

With regard to dilution, the court noted that, while dilution does not require a likelihood of confusion, it should not be adopted as a default position wherever a likelihood of confusion has not been established. Judge E Hayut, who delivered the main judgment, opined that a finding of dilution in the absence of any likelihood of confusion should be reserved for exceptional cases. The Supreme Court held that, since there was no risk that consumers would associate the defendant's shoes with adidas, dilution had not been established.

The Supreme Court disagreed, however, with the lower court's finding regarding the advantages of non-branded products being available at low price points, while retaining some association with higher-end goods, as long as there was no confusion and no unfair competition.

With regard to unjust enrichment, the Supreme Court reiterated the rule, enunciated in the *A.Sh.I.R.* ruling, that protection under the unjust enrichment legislation may be available where specific IP laws do not provide a remedy and contain no provision to the contrary. The court held, by a majority opinion, that in the absence of a likelihood of confusion or association with adidas' well-known three-stripe mark (which would have afforded protection on the grounds of trademark infringement), adidas had no cause of action under the laws of unjust enrichment.

The dissenting opinion was that, notwithstanding the absence of a likelihood of confusion or association among consumers, the defendant had attempted to free-ride on the plaintiff's goodwill, as consumers were attracted by the goodwill and image built by adidas. Although they were not confused as to origin, they consciously enjoyed the imitation product.

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