

ADIDAS SALOMON AG

v.

1. Galal Yaasin

2. State of Israel – Customs and V.A.T. Branch - Formal

The Supreme Court Sitting as the Court of Civil Appeals

[15 February 2012]

Before Vice President (Ret) E. Rivlin, Justices E. Hayut, E. Rubinstein

Appeal of the judgment the Tel-Aviv Jaffa District Court of 13.12.2010 in
CF 2177/05 handed down by Hon. Judge M. Agmon-Gonen.

Israeli Legislature Cited

Trademarks Ordinance, s.1

Commercial Torts Law 5759-1999, s. 1

Unjust Enrichment Law 5739-1979

Israel Supreme Court Cases Cited

- [1] LCA 5768/94 *ASHIR Import, Export and Distribution v. Forum for Fixtures and Consumption Products Ltd* [1998] IsrSC 52 (4) 289.
- [2] (LCA 9307/10 *Adidas Salomon A.G. v. Yaasin* (not yet reported, 21.12.2010).
- [3] C.A. 715/68 *Pro-Pro Biscuit v Promine Ltd* [1969], IsrSC 23 (2) 43.
- [4] CA 3559/02 *Center for Toto Zahav Subscribers v. Council for Regulation of Gambling in Sport* [2004] IsrSC 59 (1) 873.
- [5] CA 9191/03 [2004] *V & section Vin Spirt Aktiebolag v. Absolute Shoes*, IsrSC 58 (6) 869
- [6] CA 18/86 *Israel Glass Factories Venice Ltd v. Les Verrcies De Saint Gobain*, IsrSC 45 (3) 224
- [7] CA 11487/03 *August Storck v. Alfa Intuit Food Products Ltd.* (not reported, 23.3.2008);
- [8]. CA 5792/99 *Tikshoret Religious-Jewish Education Family (1997) Ltd "Family" Newspaper v. S.B.C Publication, Marketing and Sales Ltd - Mishpacha Tova Newspaper*[2001] IsrSC 55 (3) 933.
- [9] CA 3581/05 *Shehana'al Mat'ima Ltd v. ADIDAS-SALOMON* (not reported – 7.7.2005).
- [10] LCA 3217/07 *Brill Footwear Industries Ltd v. ADIDAS SALOMON A.G.* (not reported, 16.8.2007).
- [11] HCJ 144/85 *Kalil Non-Metallic Steel Industries Ltd. v. Registrar for Patents and Designs and Trademarks*[1988] IsrSC 42 (1) 309.
- [12] LCA 5454/02 *Ta'am Teva (1988) Ltd v. Ambrozia Sofharb Ltd* [2003] IsrSC 57 (2) 438, 450 (2003), IsrSC 57 (2) 438,
- [13] C.A. 9070 *Tali Dadon Yifrach v. A.T. Snap Ltd* (not yet reported, 12.3.2012).
- [14] CA 261/64 *Pro-Pro Biscuit v. Promine Ltd* [1964] IsrSC 18 (3) 275.
- [15] CA 4116/06 *Gateway Inc. v. Pascual Advanced Technology Ltd* (not reported, 20.6.2007)

- [16] CA 10959 *Tea Board India v. Delta Lingerie, S.A. OF Cachan* (not reported, 7.12.2006).
- [17] CA 8441/04 *Unilever P v Segev* (not reported, 23.8.2006)
- [18] LCA 2960/91 *Wizzotzky Tea and Co. (Israel) Ltd v. Matok* (not reported, 16.1.1992).
- [19] LCA 6658/09 *Moltilock ltd v. Rav Bariah(08)* (not yet reported, 12.1.2010).
- [20] LCA 1400/97 *Picanti Food Industries (Israel) Ltd v. Osem Food Industries Ltd* [199] IsrSC 51 (1) 310.
- [21] CA 8981/04 *Avi Malka - Avazei Hazahav Restaurant v. Avazei Shechunat HaTikva (1997) Restaurant Management Ltd* (not reported, 27.9.2006).
- [22] 210/65 *Iggud Bank Ltd v. Agudat Yisrael Bank Ltd* [1965] IsrSC 19 (2) 673.
- [23] CA 3975/10 *Phillip MORRIS PRODUCTS S.A '1 AKISIONERNO DROUJESTVO* (not yet reported 21.10.2011)
- [24] CA 6181/96 *Kardi v. Bacardi and Company Limited* [24], IsrSC 52 (3) at p. 276.
- [25] LCA 10804/04 *Prefetti Van Melle Benelux B.V. v. Alfa Intuit Food Products Ltd* (2005) IsrSC 59 (4) 461.
- [26] 6025/05 *Merck and consideration. Inc v, Teva Ta'asiot v. Teva Pharmaceutical Industries Ltd* (not yet reported, 19.5.2011).
- [27] (CA 945/06 *General Mills Inc. v. Meshubah Food Industries Ltd* (not yet reported, 1.10.2009)
- [28] LCA 371/89 *Leibovitz v. Etti Eliyahu Ltd* [1990] IsrSC 44 (2) 309.
- [29] CA 588/87 *Cohen v. Zvi Shemesh* [1991] IsrSC 45 (5) 297.
- [30] FHC 10901/08 *Beizman Investments Ltd v. Mishkan Bank Hapoalim Mortgages Ltd* (not yet reported 17.7.2011)
- [31] CA 2287/00 *Shoham Machines and Dies Ltd v. Shmuel Harar* (not reported, 5.12.2005)
- [32] see CA 347/90 *Soda Gal Ltd v Spielman* [1993] IsrSC 47 (3) 450.

For the appellant — Adv. Eitan Shaulski; Adv. Inbal Nabot-Eizenthal.

For the respondent — Adv. Israel Sadeh; Adv. Amir Freedman

JUDGMENT

Justice E. Hayut

This is an appeal against the decision of the Tel-Aviv Jaffa District Court (Hon. Judge M. Agmon – Gonen) of 13 December 2010 which dismissed the action filed by the Appellant against Respondent 1 for a violation of trademark, passing off, damage to good will, and unjust enrichment.

Factual Background

The Appellant, ADIDAS-SALOMON A.G. (hereinafter: Adidas or the Appellant) is a company engaged in sport products, footwear and clothing and the owner of a trade symbol registered in numerous states around the world, including Israel. Adidas owns three trademarks in Israel that are relevant to this appeal: Trademark No. 45237, Trademark No. 33479 and Trademark No. 118277, all of them in category 25, consisting of three parallel diagonal stripes on the sides of sports shoes, simple comfortable shoes, athletic shoes and every day shoes (hereinafter – “Three Stripes Ossiman trademark”).

Respondent 1, Mr. Galal Yaasin (hereinafter: the Respondent) deals in the importing of shoes to the area of the Palestinian Authority. In 2005 the Respondent imported sports shoes from a factory in China and per his order the shoes featured *four* stripes with the name “SYDNEY” embossed on them in three different places (hereinafter: the shoes, or the Respondent’s shoes). The consignment of shoes arrived in the Ashdod port and at the end of August 2005 a notification was sent to Adidas by Respondent 2 – the Customs and V.A.T. Authority (hereinafter: the Customs Authority) stating that it was delaying the consignment because according to the appearance of the shoes, the Respondent was *prima facie* infringing its intellectual property rights. As against the deposit of a bank guarantee the Authority personnel gave the Adidas attorney the details of the Respondent and one sample shoe from the consignment (in his cross examination the Respondent confirmed that the shoe is representative of the other shoes in the same consignment). Adidas was of the opinion the appearance of the shoes was similar to the extent of being

misleading to the shoes that it produced, and that it therefore constitutes an infringement of its trademark. The Respondent on the other hand, claimed that the shoes he had imported did not infringe the registered trademark of Adidas, but for the sake of compromise he proposed to Adidas to make a certain change in the design of the shoe so that a fifth stripe or the mark X would be added to the four stripes, and that this addition would be made at in the precincts of the port.

Adidas rejected the Respondent's proposals, and the Authority therefore continued to delay the shoes in its storerooms. Moreover, on 4 September 2005 Adidas filed an action against the Respondent in the Tel-Aviv Jaffa District Court, petitioning for a permanent injunction that would prohibit the Respondent from making any use of the shoes that without authorization featured its trademark or a mark that was similar to it, including upon shoes featuring four parallel, diagonal marks on the sides. In addition, Adidas petitioned for an order to destroy the Respondent's shoes and for a remedy of damages, and for a detailed accounting regarding the actions and transactions that had been done in relation to these shoes and similar products. It bears mention that in the wake of the application filed by the Customs Authority concerning the matter, the parties agreed that the storage costs and the responsibility and cost of destroying, to the extent that the court gave an order to that effect, would be born by Adidas or by the Respondent, in accordance with the results of the action, and the Customs Authority was also added as a formal respondent to these proceedings.

The Decision of the Trial Court

2. On 13 December 2010 the Trial Court rejected the action and ordered the Customs Authority to release the shoes from its storerooms and to deliver them to the Respondent, and that the latter would be permitted to sell them. The court likewise ordered Adidas to bear all of the costs occasioned by the delaying of the shoes and their storage in the storerooms of the Customs Authority.

First, the Trial Court considered the analytical basis and the purposes of trademarks law, as well as their development over the years. The court ruled that the principal purpose of these laws was the prevention of unfair competition that stems from the misleading of consumers with respect to the source of the product they had chosen to purchase. Accordingly, in the

absence of any misleading, it could not be ruled that there had been an infringement of a trademark.

In the case at hand, the Trial Court rejected Adidas principled claim that the mere use of an emblem comprising four diagonal stripes, even though the shoes did not feature any other sign or elements that resembled those of Adidas or an embossment mentioning its name, constitutes an infringement of the three stripes trademark. In this context the court ruled that the decision on whether there was a "confusing resemblance" was a normative (and not an empiric) decision, and its purpose was to identify cases which posed a threat to fair competition and an attempt to benefit from the good will of others. In our examination of whether there is a "confusing resemblance" as stated, between the Adidas trademark and the design of the Respondent's shoes, the Court applied the "three way test" established in case law in this context: the test of appearance and phonetic sound, the test of the class of merchandise and circle of customers, and the test of the remaining circumstances. For purposes of the application of the first test, of appearance and sound, the Court examined in shoes in its entirety and determined that in view of the embossment of the name "SYDNEY" on three different places on the shoe, and given the use of four stripes (and not three) there was no fear in the current case of the misleading of the consumer public. In this context the court rejected Adidas' claim that the comparison should only be between the "signs" that appear on the shoe and that the shoe should not be related to as a whole. In applying the second secondary test that relates to the class of merchandise and of clients, the Court gave consideration to the class and brand of the product, and ruled that since Adidas shoes are marketed as an expensive brand name whereas the Respondent's shoes are sold at a minimal price in the markets, there is no danger of confusing between the products on the consumers' part. The Court further ruled that the fact that the three stripes sign is so well known and identified with Adidas removes any concern that consumers will make a connection between it and a shoe with a different number of stripes. As such, the Court ruled that a person who purchased the Respondent's shoes at all events had no intention of purchasing an Adidas shoe and even had he wanted to purchase a shoe *resembling* that of Adidas, this in itself attests to the fact that there was no misleading. The Court further ruled that there were no grounds for protecting the proprietary and commercial interest of the owner of the trademark - Adidas- at the expense of the freedom of occupation of the principal business competitors, in the absence of any attempt to benefit from Adidas good will and in the absence of misleading.

This is especially so given that even if the business of the Respondent disturbs the Adidas business; it constitutes regular business competition and not unfair competition. Accordingly, the Trial Court ruled that there had been no infringement and emphasized that for as long as the consumer is not deceived with respect to the product that he is purchasing there are no grounds for the limitation of his freedom of choice and his freedom of expression, while extending the protection of trademarks, and in its own words:

'The public should be allowed the choice of purchasing a cheaper product, even though, or perhaps even because of the fact that there is certain similarity between it and the brand name product, provided that it is not deceived regarding the origin or the class of the product that he is buying'

3. The Trial Court further rejected the Appellant's claims that the importing of the shoes constitutes the civil tort of passing off, in accordance with section 1 (a) of the Commercial Torts Law, 5759 (hereinafter - Commercial Torts Law). The Court noted that the tort of passing off has two foundations: good will, and the reasonable concern about misleading, and that it is intended to prevent unfair competition. The Court further ruled that it is undisputed that Adidas has extensive good will in the area of sports footwear in Israel and around the world, and that accordingly the question to be examined in our case is whether there are reasonable grounds for the fear of misleading consumers. The Court answered this question in the negative, pointing out that the tests for whether there is a "confusing resemblance" as far as it concerns passing off, are identical to the tests applicable in this context to the infringement of trademark. However, whereas with respect to the infringement of trademark the examination relates to whether there is deceptive resemblance between the marks, regarding the tort of passing off, the question is whether the person's actions in their entirety caused misleading in relation to the origin of the product. In the case at hand, it was ruled that there is no fear of misleading regarding the origin of the product even in accordance with the tests applicable to the tort of passing off and the Appellant's claims in this respect were likewise rejected.

The Court further rejected the alternative claims of the Adidas to the effect that the Respondent, in attempting to benefit from its own good will had become unjustly enriched at its expense, even were it to be ruled that he did

not infringe the trademark registered in its possession. Regarding this, the court ruled that in *LCA 5768/94 ASHIR Import, Export and Distribution v. Forum for Fixtures and Consumption Products Ltd* [1] at p. 289 (hereinafter: *ASHIR*) did establish a narrow opening for establishing the grounds of unjust enrichment in cases in which there was no infringement of the laws of intellectual property, but noted that the rule did not apply in this case, because even within the framework of unjust enrichment there must be an examination of the conflicting values in the concrete case. In that context the court's view was that the use of the four stripes mark does not harm Adidas and the Respondent's acts are not irregular, outrageous or such as give rise to unfair competition. The Court further noted that under the circumstances it was actually the filing of an action by Adidas that was outrageous, and that expanding the protection granted to Adidas under the grounds of unjust enrichment would damage competition and have a "chilling effect" upon manufacturers and merchants.

Finally, the Trial Court rejected Adidas' claims concerning theft and the dilution of good will. In this context, the Court ruled that the Respondent had not made any unfair use of Adidas' reputation, and that the central reason for the use of the four stripes could be the "creation of a market for designer sports shoes for a population that lacks the means of buying brand name sports shoes". The Court noted that there was no tort of unfair exploitation of good will and hence any remedy under those grounds could only be given by force of unjust enrichment, and regarding that grounds that the Court had already concluded that Adidas cannot claim it. The Court further ruled that there can only be dilution of good will when there was use of a *registered* trademark other than in a field of the same "description" (within the meaning s.1 of the Commercial Trademarks Ordinance [New Version], and since it is undisputed that the Respondent did not use the registered trademark (three stripes) or that he used a name or another recognized feature of Adidas, then this grounds too was not proved.

It was for all of these reasons that the District Court concluded that no proof had been brought for misleading and unfair competition on the Respondent's part, or an attempt on his part to benefit from Adidas' good will. The Court further held that given the aforementioned situation, whatever is not considered to be included in the trademark should remain within the class of a public asset, and in its own words:

‘In order to ensure a competitive market with products from the entire range of prices and qualities, those with brand-names and without brand-names, in order to prevent harm to consumers that stems from costs related to trademarks and from the chilling effect as it touches upon manufacturers and small tradesmen, and in order to ensure the public assets, protection should be given by way of the trademarks law in accordance with their original purposes, which is the prevention of unfair competition, No protection in excess thereof should be given’

Accordingly, the Court dismissed the claim, and ruled that the shoes were to be released from the storerooms of the Customs Authority and that the Respondent should receive the shoes and be allowed to sell them “and in doing so to maintain a market of designer, non-brand name sports shoes, at a price payable by all of its consumers”. The Court further ruled that Adidas would bear the costs stemming from the delay and the storage of the shoes and it was also ordered to pay for the Respondent’s costs and legal expenses, for the sum of NIS 85,000 + V.A.T.

4. Adidas refuses to accept this result, and hence the appeal.

Notably, before filing the appeal, Adidas filed an application to stay the execution of the decision, arguing that the release of the shoes from the Customs Authority storerooms would irreversibly impair the right of appeal granted to it by the decision. The Court initially refused to rule on the application, *inter alia* in view of Adidas’ failure to pay the court costs imposed upon it under the ruling, and against that background, Adidas filed an application for leave to appeal to this Court (LCA 9307/10 *Adidas Salomon A.G. v. Yaasin* [2]). On 21.12.2010 the Court ruled (Justice Hendel) that the execution of the decision would be temporarily stayed until the Trial Court’s decision on the application to stay execution, and he further added an order to pay the legal costs to the respondent (it bears note that the payments were not finally paid by Adidas until 9 January 2011, and only after additional decisions that the Trial Court was forced to give regarding the matter). On 2 February 2011 the Trial Court ruled on the application for a stay of execution, ordering the attorney for Adidas to receive the shoes in trust, and that Adidas

alone should bear the storage costs, including with respect to the period in which they were stored in the Customs storerooms, but that this sum would be returned to it by the Respondent should it win the appeal.

The Claims of the Parties

5. Adidas claims that the Trial Court failed to apply the rules determined by this Court with respect to the manner of examining an infringement of a trademark and passing off, and that its examination in this respect was novel and mistaken. It further claims that the decision of the Trial Court has far reaching implications for the trademarks law in Israel and that it creates uncertainty with respect to the scope of rights vesting in owners of such a mark. Adidas maintains that contrary to the ruling of the Trial Court, the comparison should be drawn between the registered trademark and the mark appearing on the allegedly infringing mark, and not the overall appearance of the products on which the marks appear, in accordance with the initial impression that they evoke. Its claim is that the Trial Court applied these tests mistakenly when comparing its own trademark with the overall appearance of the respondent's shoes, and it stresses that as distinct from its determination, the marks should be compared separately from the product. Adidas claims that application of the current test - that was determined as the central test in this context and which stresses the test of appearance and phonetic tone - leaves no room for doubt that the infringing mark is confusingly similar to its own mark and it claims that in the past courts in the world and in Israel have ruled in that vein. Adidas further rules that the Trial Court conducted a particularly specific comparison between the products, placing one next to the other, and accordingly ruled that there was no confusing similarity based on the fact that the respondents' shoes had four stripes and not three. According to its approach the sample of the Respondent's shoes contains the Adidas trademark in its entirety with the addition of one stripe and that infringing mark should have been viewed in that manner, given that the consumer does not "count stripes" but rather will identify any number of diagonal stripes on the side of the shoe with its own shoes. Adidas further claims that the Trial Court applied the test of the class of clients in a mistaken manner and that its ruling that there is a distinction between the public that purchases Adidas shoes and the public that purchases the Respondent's shoes is unfounded and mistaken.

Adidas further claims that the Trial Court ignored the proprietary protection conferred by the Trademarks Ordinance and in case law to a

registered trademark against the use of marks resembling a registered mark. As such, it claims, preventing the use of a four stripe mark is not a matter of policy or of an extension of a vested protection, as determined by the Trial Court, but rather a simple application of the statutorily determined protection. Adidas stresses that it is not attempting to entirely prevent any marking of shoe products with a stripe, but rather their marking with stripes, number and style that are confusingly similar to its own trademark. Likewise it claims that its trademark does not consist of a simple geometric shape, being rather a combination of marks, of which an exact copy was made by the Respondent, but with the addition of one more stripe, and as such these are not weak marks that merit less protection. In this context Adidas stresses that even a mark which the consumer is liable to view as a variation of an existing trademark, infringes a protected trademark.

6. In addition, Adidas claims that the Trial Court erred in its examination of the tort of passing off. It argues that the examination should be of the overall appearance of the products, with emphasis on the faulty memory of the client, as distinct from making an exact comparison. It adds that insofar as the tort of passing off confers broad protection, it suffices if the consumer is liable to think that there is some kind of connection between the product and Adidas, or that no justified reason was given for the use of a design that resembles a trademark, in order to establish the concern for misleading required for the proving of this tort. Furthermore, Adidas alleged unjust enrichment on the part of the Respondent stressing that as opposed to the decision of the Trial Court, the acts of the Respondent are outrageous and constitute unfair competition.

With respect to stealing and dilution of good will, Adidas claims that the Court erred in ruling that the Respondent did not attempt to build itself on the basis of its good will despite its additional holding which acknowledged the possibility of the shoes having been designed in a manner that would make them somewhat similar to its own shoes. The Appellant especially emphasizes that the Trial Court's holding to the effect that the purchasers of the Respondent's shoes "would be able experience the feeling of wearing shoes with four stripes which are somewhat reminiscent of Adidas shoes" demonstrates that this is case of exploitation of good will, impairing and dilution of good will, and it claims that the marketing of shoes that provide an experience of Adidas shoes is illegitimate. Furthermore, Adidas claims that the Respondent's shoes were marked with four stripes purely out of economic considerations, and that the Respondent knows that the consumer's eyes

would be attracted to shoes that resemble the general appearance of its own shoes, without investing in advertising. Adidas also claims that there are also grounds for dilution of good will, because it suffices that there was use of a trademark or a mark similar to it in order to establish grounds, without having to prove the foundation of misleading. Finally, Adidas claims that it was denied the right to present its claims in the Trial Court because the latter devoted considerable parts of its judgment to issues that were not even raised by the parties and in respect of which no claims had been made, while establishing factual findings for which no evidence had been presented and in areas that were not in purview of its judicial knowledge.

7. The Respondent, on the other hand, affirms the decision of the Trial Court and argues that the decision is based on a firm factual foundation and upon reasoned and detailed legal analysis that leaves no grounds for intervention. The Respondent claims that Adidas did not present any evidence for the alleged fear of misleading, and argues that there is no justification for interfering with the Court's ruling that no grounds can be laid for similarity between the footwear imported by the Respondent and Adidas shoes. The Respondent adds that it was proven in the Trial Court that one can easily find footwear of other companies which feature varying numbers of stripes and accordingly it cannot be argued that he attempted to benefit from the goodwill of Adidas or that a reasonable consumer would mistakenly think that he was actually marketing Adidas footwear. The Respondent claims that Adidas widespread fame and its three stripe mark does indeed confer it with an absolute protection of that mark, but it is precisely for that reason that no consumer would think that the Respondent's footwear was produced by Adidas. This is especially so given that the footwear is sold in shops or stands located in the markets of the Palestinian Authority and not in the shops that sell Adidas footwear, and also in view of the numerous visual differences, such as the commercial name "SYDNEY", and the element of the four stripes. The Respondent further argues that the claim that the mark should be compared directly against another mark for purposes of examining the question of the trademark infringement is only correct for purposes of registration of the mark in a registration record and not when the mark appears on a product, where the mark should not be removed from its context. Furthermore, the Respondent claims that the four stripe mark is not confusingly similar to the three stripe mark, even if when directly comparing one mark to another, especially due to the extensive advertising of the three stripe sign, as stated.

The Respondent further claims, affirming the Trial Court's decision, that absent the fear of unfair competition or an attempt to benefit from the goodwill of Adidas, he cannot be said to have infringed its trademark, and he emphasizes that Adidas only has a proprietary right with respect to a three stripe mark, and that the protection conferred to this mark should not be extended. Furthermore, the Respondent claims that Adidas is attempting to attain a monopoly over the actual use of stripes. In this context he notes that given that our concern is with a decorative mark, it is a "weak mark" with a limited protective scope and which does not cover the use of a different number of stripes. Furthermore, the Respondent claims that Adidas's claim concerning passing off should likewise be rejected, arguing that the according to the Court's factual finding there was not, nor could there be any mistake concerning the identity and the origin of the footwear that he was attempting to market, and that there is no confusing similarity between a mark consisting of three stripes and a mark consisting of four stripes. The Respondent further claimed that the Adidas claim regarding stealing or dilution of goodwill should likewise be rejected and in this context he stresses that his footwear intentionally distinguishes itself from any other footwear by way of his trade name "SYDNEY" which appears on the shoe itself in three places, as well as on the box in which the shoe is sold. Moreover, the Respondent claims that as opposed to Adidas's claim, it acted in absolute good faith, and hence its claim regarding unjust enrichment should likewise be rejected.

Deliberation

8. The central question for our deliberation is whether the registered trademark of Adidas - the three stripes mark – was infringed in this case, by reason of use of an embossment of four stripes on the sides of the footwear that the Respondent seeks to market, and whether in this context his act establishes actionable grounds under any of the laws intended to protect Adidas' intellectual property. By way of introduction I will say that like the Trial Court, I too am of the opinion that the Respondent's shoes do not infringe the three stripes mark and that the action should likewise be rejected with respect to the other grounds argued for by Adidas. All the same, I do not think that the reasons of the Trial Court should be endorsed and in what follows I will explain the reasons for my conclusion.

Trademark

The principal legislative arrangements relevant for our purposes and treating the issue of trademarks are unified in the Trademarks Ordinance, s.1 of which defines the following terms:

“mark” means letters, numerals, words, figures, or other signs, or the combination thereof, whether two dimensional or three dimensional;

“trademark” means a mark used, or intended to be used by a person in relation to the goods he manufactures or trades;

“registered trademark” means a trademark registered in the Register of Trademarks under the provisions of this Ordinance, and which is a national trademark or an international trademark registered in Israel;

The institution of trademarks originated in the need to distinguish between the products of one trader and those of his competitor, and in this context, to protect the interests of both the trader and the consumer. The trader enjoys the protection of his good will and reduces the fear that the consumer will confuse his product with that of another trader. The consumer will have an easier time in identifying the particular products that he wishes to purchase and is protected from misleading with respect to the source of the goods. To attain these goals, s.46 of the Ordinance confers the proprietor of the registered trademark “the right to exclusive use” to use the mark in every matter relating to the good in respect of which his mark is registered” (see C.A. 715/68 *Pro-Pro Biscuit v Promine Ltd* [3] (hereinafter: (*Pro - Pro*) at p. 48; CA 3559/02 *Center for Toto Zahav Subscribers v. Council for Regulation of Gambling in Sport* [4] (hereinafter – *Toto* ruling) at p. 888 .

The law of the trademarks and the protection it provides to the owner of a registered trademark is one branch of a broader field of law – the laws of intellectual property – that confer protection to an intellectual product that may be of economic value. It is similarly important to mention that the right to intellectual property, like any other property right, is one of the “privileged”

rights enjoying constitutional protection in the law and Basic Law: Human Liberty and Dignity instructs as not to violate it (s.3 of the Law). However, the protection of intellectual property, by its very nature clashes with another constitutional right – the freedom of occupation and the right to free competition deriving therefrom. (see CA 9191/03 *V & S Vin Spirt Aktiebolag v. Absolute Shoes* [5] at p. 877 (hereinafter: the *Absolute* ruling). Similarly, granting a broad monopoly to the owner of intellectual property to make exclusive use of his property may impede the existence of a free and varied market of products which assists in the development of the economy and commercial life. In sketching the borders of the protection of a trademark, an effort must be made, to strive wherever possible to strike a balance between the protection required for the registered trademark and the “abrogation” of any other mark, irrespective of the level of resemblance between them, from the public realm.

The Unique Nature of the Three Stripes Mark

9. As mentioned, the trademark is intended to aid the consumer in distinguishing between the products of one merchant and those of competing merchants. To that effect, in order for it to be eligible for registration, it must have a "distinctive nature". In other words, it must be ascertained that the mark does in fact enable the desirable differentiation from the goods of the mark owner of the mark and the goods of his competitors (regarding the requirement of a distinctive nature see s. 8 of the Ordinance). The distinctive nature may consist of the *inherently* distinctive nature of the product from the time of its creation. In most cases, the concern in this context is with marks that are the product of imagination and as such are unique, original, or non-foreseeable, and bearing no natural connection to the type of product which it marks, so that the connection between the mark and the product is arbitrary. An example of this is the arbitrary use of the mark "Apple" as the mark of the computer company. However, even in cases in which the mark does not possess any inherently distinctive character the mark may also acquire secondary significance by dint of its extensive use, so that the consumer public will associate it with goods from a particular source. This is known as a mark with an *acquired* distinctive nature (this distinctive nature was also defined by case law in other contexts as "secondary" as opposed to "principal" meaning. See CA 18/85 *Israel Glass Factories Venice Ltd v. Les Verreies De Saint Gobain* [6] at pp. 234-235 (hereinafter - *Venice*); CA 11487/03 *August Storck v. Alfa Intuit Food Products Ltd* [7]. par.8 (hereinafter - *Alfa Intuit*). As for the distinctive nature of names, see CA 5792/99 *Tikshoret Religious-*

Jewish Education Family (1997) Ltd "Family" Newspaper v. S.B.C Publication, Marketing and Sales Ltd - Mishpacha Tova Newspaper [8] at pp. 943-946 (hereinafter - *Family*). Thus for example, the marks of Office Depot or General are marks with an inherently weak distinctive nature because they are descriptive signs that are neither arbitrary nor imaginative and their connection to the cars manufacturer or the shop selling office products is a natural one. Even so, over the years these marks acquired a distinctive character to the extent that today that there is almost not a single consumer in the world who would come across them and not connect them to those particular companies (on the distinction between *inherent distinctive nature* and *acquired distinctive nature* see also in the *Alfa Intuit* [7] matter, para. 8). Even more precisely, the *acquired* meaning *supplements* the inherent meaning of the mark and does not replace it, and their combination establishes the extent of the protection given to the trademark against its infringement (see Amir Friedman, *Trademarks - Law, Case Law, and Comparative Law*, 211, 214) (third edition, 2010) (hereinafter: Friedman).

10. The acquired distinctive character attests to the demand and the popularity of the merchandise and to the good will that it accumulated from the day of its "birth" as a result of marketing and advertising efforts made by and on behalf of the patent owner. For our purposes it is undisputable that the Adidas trademark - three diagonal stripes of identical breadths and spaces between them on the side of the shoe - is today absolutely identified with the company all over the world and constitutes a distinctive sign by which its footwear is identified. Accordingly, there is no question of whether this trademark has an acquired distinctive character. However, in my view the decision is not as simple regarding the inherent distinctive nature of the mark. This mark, which Adidas chose as one of the trademarks that identifies it with its products, consists as mentioned, of three stripes but for a person not previously familiar with it might be viewed exclusively as one of the shoe's design components (as distinct from a trademark). It seems difficult to claim that if not for Adidas's choice of this mark, no other shoes would have been manufactured with stripes on their sides (compare to the trademarks identified with the competing footwear companies such as "Reebok", "Nike", "Puma" and others. A comparison should also be made to the Patent Registrar Decision No. 129015 *Nike v. Shai Mecher Sachar* (1996) (26.8.2008)). Accordingly, I accept the Trial Court's decision according to which the inherent nature of the three stripe mark is weak (regarding the appropriate

scope of protection in a request to register a three dimensional trademark with aesthetic value, compare to *Alfa Intuit* [7], paras, 10 - 12.

It bears mention in this context that this is not the first time that Adidas has filed a claim in Israel for an alleged infringement of the three stripe mark, following the use of a similar mark, two or four stripes (see CA 3581/05 *Shehana'al Mat'ima v. ADIDAS-SALOMON* [9] (hereinafter -*Shehana'al Mat'ima*); LCA 3217/07 *Brill Footwear Industries Ltd v. ADIDAS SALOMON A.G.* [10] (hereinafter – *Brill*) and in the District Courts see e.g. Civ.App (District, Tel-Aviv) 15544/05 *ADIDAS SALOMON v. Sh.I. Klipp Import and Trade Ltd.* Proceedings in these cases all ended without any decision on the merits) (See also C.A (District - Tel-Aviv - Jaffa) 2326/07 *ADIDAS SALOMON v. Gentom Shoes Ltd*, in which Adidas's claim was accepted following the Defendant's failure to submit evidence on its behalf). In other states too Adidas filed suits concerning the infringement of its three stripe trademark, in view of manufacturers' use of two or four stripes on their products and a quick search shows that dozens of suits have been brought in courts at various levels all over the world. A large portion of Adidas's claims all over the world ended without a decision on the merits, similar to those in Israel, but in the proceedings that were decided on the merits, Adidas' position was for the most part accepted (see for example, in the decision of the District Court in Oregon, U.S. (No. CV 01 – 1665-KL) *Adidas America, Inc. v. Payless ShoeSource, Inc* and also *adidas-Salomon A.G. v. Target Corp.*, 228F Supp. 2d 1192 (D. Or. 2002) as well as the decision in Corp and the decision of the Court of Appeal in Athens, Greece, Decision Number 5749/2009 *Adidas Salomon A.G. v. Alysida A.E.B.E.* On the other hand, see the references in the matter of *Shehan'al Mat'ima* [8] para. 3. But see also in the decision of the High Court in Capetown South Africa; *adidas A.G. v. Pepkor Retail Ltd* (1 A11 SA 636 (WCC) (5 December 2011); the decisions of the -European Court of Justice: *adidas-Salomon AG V. Fitnessworld Trading LTD.*, Case C-408/01 (23 October 2003); *adidas AG v. Marca Mode CV*, Case C-102/07 (10 April 2008). All the same, it is important to remember that that each case is different and hence any attempt to draw analogy should be done with the requisite caution.

11. The weak nature of the inherent distinctive character of the three stripe mark affects the scope of the protection that it should be awarded. On the one hand, the fact that the three stripe mark has, as noted, attained a powerful distinguishing nature points to the need for maximum protection (see s. 46A

of the Ordinance which relates to “well known trademark” and see and compare to the matter of *Absolute* [5] which relates to the scope of protection for such a mark). However, the weakness of the inherent distinctive nature justifies protection that will be limited to the trademark itself and to its derivatives that are particularly similar to it. In other words, granting a monopoly to Adidas to two stripes and to four stripes (or, naturally, to any different number of stripes) would be problematic because it would mean the removing the designing of stripes from the public realm and would prevent other manufacturers from using this kind of design for their footwear. Our intention is not that Adidas' investment in advertising and in marketing did not create a situation in which the design of stripes became popular and in demand, but one cannot infer from that fact that any use of stripes by an Adidas competitor is a prohibited use (compare to H CJ 144/85 *Kalil Non-Metallic Steel Industries Ltd. v. Registrar for Patents and Designs and Trademarks* [11],

Having considered the nature of trademarks in general, and having examined the nature of the trademark forming the subject of the appeal specifically and the appropriate scope of protection deriving therefrom, we will proceed to examine whether the trademark of ADIDAS was actually infringed.

Infringement of a Trademark

"infringement means the use by a person not entitled thereto

(1) of a registered trademark or of a mark *resembling such a trademark* in relation to goods in respect of which the trademark is registered or to goods of the same description
(addition added).

12. Section 1 does not explain the nature of the similarity between the marks required for it to be regarded as an infringement of a registered trademark. However, case law has noted on more than on occasion that in this context the test to be applied is the one appearing in s. 11 (9) of the Ordinance that sets forth the manner of examining the mark for purposes of its *registration*, and according to which a mark "*identical withor so resembling such a mark as to be calculated to deceive*" is not eligible for registration. The consideration of two factors are at work here: protection of

the public from misleading and protection of individual title and his acquired goodwill (see e.g. LCA 5454/02 *Ta'am Teva (1988) Ltd v. Ambrozia Sofharb Ltd* [12] (hereinafter - *Ta'am Teva*). Accordingly, where it concerns use made of a *similar* mark as opposed to a use made of an identical trademark, a plaintiff claiming infringement must prove that one mark resembles the other to a degree that may confuse the public, and the examination in that context relates to "*people with regular common sense, who conduct themselves with reasonable caution*". (See *Ta'am Teva*[12], at p. 450). The requirement for resemblance between the two products is at a threshold that exceeds that of a "connection" alone (compare to s. 46 A(b) of the Ordinance and the matter of *Absolute* [5], at p. 885). It has already been held that the act of copying as such does not necessarily attest to the intention to mislead clients and that even the intention to mislead does not dictate the conclusion that there is a fear of actual misleading (see C.A. 9070 *Tali Dadon Yifrach v. A.T. Snap Ltd* [13] para. 11 which concerns the tort of passing off).

The accepted test for the existing of a confusing resemblance is the "three part test" which was discussed by the Trial Court, consisting of the test of visual and phonetic similarity; the test of the type of customer and class of goods; and test of the other relevant circumstances (see CA 261/64 *Pro-Pro Biscuit v. Promine Ltd* [14], at p. 278). The manner of implementing these tests in each case is not a function of uniform standards and is influenced by the distinctive character of the registered mark and the appropriate degree of protection it merits (see CA 4116/06 *Gateway Inc. v. Pascul Advanced Technology Ltd* [15] para.16). The weight to be given to each of the tests is similarly not uniform, changing in accordance with the circumstances (see CA 10959 *Tea Board India v. Delta Lingerie, S.A. OF Cachan* [16] (hereinafter: *Tea Board*). It bears note that along with the three part test, there cases in which case law also applies the "common sense test" particularly when it is necessary to examine whether the trademarks have a shared ideological message (see CA 8441/04 *Unilever P v Segev* [17] at para. 9 (hereinafter *Unilever*); *Ta'am Teva* [12] at p. 453 and *Tea Board* [16] at para. 10). It further bears mention that in most of the cases involving the determination of confusing similarity the trial court has no particular advantage over the appellant forum because the appellant instances, in general has at its disposal the same tools as the clarifying instance (see LCA 2960/91 *Wizzotzky Tea and Co. (Israel) Ltd v. Matok* [18]).

13. In our case, both parties agree that the Respondents' shoes are the same kind of goods in respect of which the Adidas trademark was registered- sports

shoes, or at least they are goods of the same description, in other words, from the same "commercial family" (for elaboration on the meaning of the word "description" in the Ordinance, see *Toto* [4] at pp. 894-895). Furthermore, all are agreed that in our case the issue does not concern footwear designed with a mark that is *identical* to a registered trademark. As such, there has been no attempt at the forging of shoes and hence there must be an examination of the similarity between the shoes, and a determination on whether there is indeed a "confusing resemblance" between them. As mentioned, the acquired distinctive character even when particularly powerful as in the case before us, does not obviate the need for an inherently distinctive character. As such, even if the strong distinctive nature acquired by the three stripes compensates to a certain extent for its weak inherent nature, given that the consumer public today is aware of the connection between the trademark and Adidas, one cannot ignore the weakness of the inherent distinctive nature when applying the three part test.

14. At the stage of applying these tests, it should be remembered that the comparison must be between the trademarks in their entirety and not between specific parts thereof (See *Ta'am VaTeva* [12] , at p. 451; LCA 6658/09 *Moltilock Ltd v. Rav Bariah* [19] at para. 8 (hereinafter: *Moltilock*), and the examination should focus on the existence of a confusing resemblance between the trademarks themselves, as opposed, for example, to the tort of passing off, in which all of the particular acts of the infringer are examined (see LCA 1400/97 *Picanti Food Industries (Israel) Ltd v. Osem Food Industries Ltd* [20] at p. 313 (hereinafter: *Picanti*). Hence it was held., for example, that when verifying the infringement of a registered trademark, "lesser weight should be ascribed, or in certain cases no weight at all, to the degree of resemblance in the appearance of the goods or their packaging" (the case of *Teva Ta'am* [12] pp. 450 - 451). In the case at hand, however, it seems that one cannot examine the trademarks - the three stripe sign of Adidas as opposed to the four stripe sign of the Respondent - in absolute isolation from the goods on which they appear. *First*, even if the consumer doesn't stand with both products in his hand, making a comparison between them in all their details, it cannot be presumed that he disassociates the marks from the shoes themselves and examines the marks in isolation from the shoes (for a similar approach in American law, see for example, *Filipino Yellow Pages, Inc. v. Asian Journal Publications, Inc.*, 198 F.3d 1143, 1150 (9th Cir. 1999); *Goto.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1206 (9th Cir. 2000); *Entrepreneur Media, Inc., v. Smith*, 279 F.3d 1135, 1144 (9th

Cir.2002). *Second*, the rule whereby the comparison should be restricted to the marks themselves was articulated in decisions that were concerned with verbal and not visual signs, such as in the case before us, (see also CA 8981/04 *Avi Malka - Avazei Hazahav Restaurant v. Avazei Shechunat HaTikva (1997) Restaurant Management Ltd* [21], para. 28 (hereinafter - *Avazei*). This distinction is important since whereas it is easier and even more reasonable to separate phonetic trademarks from the product they mark, especially where it concerns phonetic marks used for purposes of advertising and marketing the product (for example the mark of "bamba" that was used in *Picanti* [20]), the absolute severance of the visual trademark from the product upon which it is imprinted, especially when it can be construed as decorative element, as in the case before us, is both an artificial and a problematic severance. Accordingly, the manner of applying these tests must be adjusted to the unique circumstances of the case at hand, and having consideration for the circumstances of this case, it seems that even though "the entirety of the defendant's acts" are not to be examined, as is the case with the tort of passing off, the shoe itself must be examined in its entirety.

I will preface by saying that it has not escaped me that in applications for leave to appeal on decisions for temporary relief (in the cases of *Shehana'al Mat'ima* [9] and *Brill* [10]) his Court (Justice A. Grunis, as per his former title) accepted the *prima facie* conclusions of the hearing forum regarding the similarity to the point of confusion between shoes with four parallel stripes and the shoes of Adidas, following a comparison of the two marks conducted in isolation from the shoes on which these signs appeared. However, as the Trial Court noted, those decisions were given in applications for temporary relief and at that stage, as opposed to our case, the court was only required to be convinced of the existence of a *prima facie* similarity, without conducting, in the framework of those proceedings, a thorough hearing of the various claims of the parties. And at all events, given the reasons I mentioned above, my view is that in our case the trademarks should be examined together with the shoes on which they appear and not in detachment therefrom, as was the case in the intermediary proceedings mentioned above.

15. The required examination will be conducted, as mentioned, in accordance with the three sub-tests that I referred to above, that were determined for purposes of locating a confusing similarity

(a) *The test of appearance and sound*. This is the most central of the three sub-tests (see *Ta'am Teva* [11] at p. 451 and at this stage of the

examination the appearance and the sound – when relevant – of the two marks should be examined in order to determine the degree of similarity between them. In this test the emphasis is on the initial impression gained from a comparison of the marks, having consideration for the fact that the average consumer's memory is not perfect.

Apart from the clear difference between the Respondent's shoes and Adidas shoes, which stems from the fact that the Respondent's shoes feature four and not three stripes, the comparison also indicates other clear and blatant differences. The name "SYDNEY" appears on Respondent's shoes in two prominent places – at the back of the shoe and on its tongue. In addition, the name "SYDNEY" appears on the inner tongue of the shoe, and this name bears no similarity, neither in design nor in sound to the name Adidas or to any trademark registered in its name. To a large extent this removes the concern of misleading the consumer public, as correctly held by the Trial Court (see and compare to CF (DIS-Tel-Aviv) 2554/01 *Buffalo Boots v. Naalei Loxie 2000 Import and Marketing Ltd*, at para. 3 (b) (hereinafter – *Buffalo*)).

(b) *Test of the type of customer and class of goods.* This test is concerned with the influence of the class of goods on the danger of confusing consumers. Regarding the test of the class of goods, it has been held in the past that where it concerns expensive products or particularly important services, it may reasonably be presumed that the consumers would conduct a more thorough scrutiny prior to executing the transaction which would lessen the chances of confusion (see *Ta'am Teva*[12] at p.453; CA 210/65 *Iggud Bank Ltd v. Agudat Yisrael Bank Ltd*,[22]at p. 676. The test of the type of customers examines two complementary matters. The first is whether the same type of customer would take an interest in both of the products; and the second is how the particular characteristics of the relevant type of client influence the chances of confusion. Hence for example it was held that where there is a difference between the prices of the products, but the difference is not great, it will not lead to the conclusion that each one of the products has its own distinct circle of clients in a manner that prevents the chance of confusion, especially insofar as the allegedly infringing product is only slightly cheaper than the second product, in which case it may reasonably be presumed that the client will prefer to pay the lower price without enquiring into the nature of this price (see: CA 3975/10 *Philip Morris Products v. Akisionerno Droujestvo* [23]para. 8)

A comparison of the two categories of merchandise in this case shows that indeed both cases concern sports shoes, but belonging to entirely different price categories (the difference in prices being significant). Adidas shoes are marketed as a successful brand at prices ranging between medium to high in select sports shops all over the country, whereas the Respondents' shoes are intended for marketing at low prices and primarily in the stands at the markets, as determined by the Trial Court in its ruling. I find no reason for interfering with these factual determinations, and this difference in the price and the manner of marketing, in my eyes, significantly reduces the danger of confusion among clients, not because the Adidas consumer is a "specific consumer" but rather because it is unlikely that a consumer seeking to purchase a simple, cheap shoe would mistakenly think that the shoes sold at a low price in the market are Adidas shoes. On the other hand, it may be presumed that the consumer seeking to purchase high quality shoes from a reputed company and who is prepared to pay a price accordingly, would examine the shoe before buying it.

(c) *The Test of the Remaining Circumstances.* This test accompanies the previous tests and takes the specific circumstances of the case into account, to the extent that they were not examined in the framework of the two previous tests (see *Ta'am Teva*[12] at p. 453. In this case no special circumstances were presented which might have been relevant.

16. The conclusion flowing from application of the aforementioned tests, having consideration for the preliminary normative determinations with regard to the appropriate scope of protection for the triple stripe mark, is that the Respondent's shoes do not give rise to the fear of deceiving the public and as such do not infringe the Adidas trademark. To be even more precise, our ruling that there is not fear of misleading does not mean that there is no similarity between the shoes of the Respondent and the shoes of Adidas (compare to *Yifrach* [13], but rather that as a matter of the policy to be applied in this case the similarity is of a kind that does not constitute an infringement of the trademark,

Passing of

17, The tort of passing off in s. 1 of the Commercial Torts Law, states as follows:

- (a) A dealer shall not cause the asset he sells or the service he offers to be mistaken for the asset

or service of another dealer or related to another dealer.

The tort of passing off has two foundations, the proof of which rests with the party claiming the commission of the tort against him. The *good will* that he has acquired in the asset or the service that he offers, and the *fear of misleading* the public into thinking that the asset being offered by defendant belongs to the plaintiff (see *Avazi* [21], para. 12, *Mishpaha* [8] p. 942; *Venice* [6] at pp. 232 – 233). The requirement for the simultaneous proof of both foundations balances the trader's proprietary interest with other interests such as freedom of occupation of competing manufacturers and the desire to encourage free competition and to prevent the creation of a monopoly that is harmful to the market. Regarding this it has been held that “misleading concerning an asset or service in respect of which the plaintiff has not proved that he acquired good will in respect thereof does not come within the purview of the tort of passing off.... similarly, an imitation of an asset with good will where it was not proven that there was a chance of confusion, is likewise not within the purview of the tort (*Yifrah* [13], para. 8). Notably, despite the similarity between the tests for establishing an infringement of a trademark and those for the tort of passing off, this does not dictate an identical result in all cases. Occasionally the ruling must be that a trademark was infringed but that the tort of passing off was not proven. For example, when a manufacturer uses a mark that is identical to a registered trademark, but where there are other features of the product that distinguish it from the products of the trademark owner (see *Buffalo* []). And vice versa too - occasionally the entirety of the manufacturer's acts lead to the conclusion that he committed the tort of passing off, even if he did not infringe the registered trademark relating to that matter.

18. There is no dispute over Adidas' reputation and its trademarks in the areas of sport shoes in Israel and around the world. In our case the first foundation exists and the focus must be on the second foundation of the tort, the fear of misleading. In examining the existence of this foundation with respect to the tort of passing off, as mentioned, there must be an examination of the entirety of the defendant's actions and conduct. This examination does not yield a conclusion that differs from our conclusion regarding the absence of any fear of confusion in relation to the trademark. The reason for this is that the Respondent's actions in our case further reduce the fear of confusion, including the attachment of a label to the shoe, featuring the name "SYDNEY" in large letters, and the packaging of the product in a box on which that name

also appears quite clearly. It therefore seems that under these circumstances there is no fear of confusion. The matter of *Yifrah* [13], which was handed down recently, concerned a perfect replica of a product that was sold cheaply alongside the original product, and it was held that it does not establish grounds under the tort of passing off because a label was attached bearing a different name, the products were presented separately in the shop and when the sellers were asked about the price difference they explained that it was an imitation (paras. 11- 12). In that case the good will the was proven was actually far weaker than that of Adidas, but on the other hand the circumstances of the case were more extreme given that unlike the case at hand, the similarity of the products was absolute (see also in the *Buffalo* []case, where it was held that almost identical shoes at a lower price and with another trade name does not deceive the public and the plaintiff does not have any grounds under passing off. Accordingly, I accept the conclusion of the Trial Court according to which in the case before us it has not been proved that the Respondent committed the tort of passing off against Adidas.

Dilution of Good Will

19.As noted by the Trial Court, the doctrine of dilution of good will is relevant to a situation in which:

"A powerful trademark is used without the consent of its owner and without creating confusion, leading to the erosion and blurring of the unique, quality image that the mark conveyed to its clients.... the erosion of the image of the mark among the consumer public also diminishes the commercial value of the trademark, in wake of the decrease of its selling capacity (or power)" (Yaakov and Hana Kalderon *Commercial Imitations in Israel* 189 (1996). On the adoption of the doctrine according to this definition, see CA 6181/96 *Kardi v. Bacardi and Company Limited* [24],.

This description indicates that the doctrine of dilution of good will does not require proof of the fear of misleading consumers. However, it seems to me that the cases in which it may be appropriate to determine a dilution of good will even when no misleading is proved are the exceptional cases in which the

absence of confusion was the result of the fact that the product is of an entirely different description (as was the case when this doctrine was applied for the first time in *Eastman Photographic Materials Co. v. John Griffith Cycle Corp* 15 R.P.C. 105 (Eng. 1898), (hereinafter - *Kodak*), and at all events, this doctrine should not be applied as a default option for every case in which confusion of consumers was not proved - as in the case before us.

As mentioned, the doctrine has its source in the *Kodak* case, where it was held that when a bicycle company uses the name of the Kodak photography company it does not confuse the consumers but does dilute the company's good will (see also in the matter of *Tea Board* [16]). The conclusion is that the doctrine seeks to protect the positive good will and image attaching to a well known trademark and provides a *quasi* proprietary protection to the good will itself against unlawful attempts of traders to build themselves up on the good will of the mark owner by creating a misrepresentation of having supposedly acquired a license, authorization, sponsorship, promotion or any other connection between the product with the good will and their own product (Friedman, p. 121- 127). Indeed, as claimed by Adidas and as mentioned above, to establish grounds based on dilution of good will it is not necessary to prove confusion. However, this does not obviate the need to prove the erosion and blurring of the good will acquired by the registered mark as a result of the use of the other mark, by reason of creating some kind of link between the allegedly infringing product and the product of the party claiming damage. This conception also receives expression in section 46A (b) of the Ordinance, which establishes the unique use of "well known" trademark which is a registered trademark, also for products not of the same description. Concededly, the section does not require proof of confusion and suffices with use that "may indicate a connection between the goods" alone, but it makes this protection contingent upon it being proved that the "owner of the registered mark may be harmed as a result of the said use" (see regarding this the application of the doctrine in the matter of *Absolute* [5] pp. 878-879, 887). On the other hand, where our concern is with the use of a mark for products of the same description and to the extent that there is no confusing similarity between the products or the marks and there is a distinction between them, it would seem that it cannot be claimed the mark owner's good will, will be diluted (see Civ. App. (District - T.A) 35447/99 *Super Farm v. Blue Square Network* [] where it was held that

there was a likelihood of confusion, and further on it was held that there was a dilution of goodwill, and see also in *Unilever* [17] at para. 24). In our case, in view of the holding that it was not proven that the average consumer would be confused into thinking that the Respondent's shoes were manufactured by Adidas, there is no likelihood that the consumer would link the quality of the Respondent's shoes to the Adidas company, and by extension, there are no grounds for the claim of dilution. It bears note that in the absence of the likelihood of confusion, there is likewise no grounds for Adidas' claim regarding the theft of its good will or harm to it (see LCA 10804/04 *Prefetti Van Melle Benelux B.V. v. Alfa Intuit Food Products Ltd* [25] at p 466 (hereinafter *Prefetti*)).

Unjust Enrichment

20 The leading decision on the issue of the relations between the laws of intellectual property and unjust enrichment is the decision in the matter of *ASHIR* [1]. That case concerned three instances in which the respondents had not registered a patent or sample for the disputed product. Likewise, the Trial Court rejected the claims made by those respondents concerning the tort of passing off, and the common question in the appeal forum was whether under those circumstances there were grounds for granting the respondents relief in accordance with the Unjust Enrichment Law, 5739-1979 (hereinafter - Unjust Enrichment Law). In two of the three cases considered in the *ASHIR* [1] matter it was decided unanimously to overrule the decisions of the district court and the remedies given by it on the grounds of unjust enrichment, and in the third case the court decided, by majority, to reject the appeal and to leave intact the decision rendered by the district court. The path taken by the four majority justices (Justice T. Strasbourg-Cohen, President A. Barak, Justice T.Or and Justice Y. Zamir) in reaching their conclusion was not uniform, but it seems that the rule deriving from the *ASHIR* [1] case received exhaustive expression in the ruling of Justice T. Strasbourg-Cohen, who stated that “the individual’s interest in the non-copying of a work that he created and in which he invested his time, his energy, his thoughts and his resources is in principle worthy of protection within the framework of the laws of unjust enrichment and the application of such an interest cannot be ruled out *a priori* just because it is not an “established right” under the laws of intellectual property” (*ibid*, at p. 417). All the same, in the *ASHIR* [1] case it was held that applicatory scope of the laws of unjust enrichment was dependent upon the question of the extent to which the specific law that applied constitutes a comprehensive arrangement that negates the intervention of any law external

to it; that the condition for grounds under the Unjust Enrichment Law is that the enrichment of the beneficiary be “by unlawful cause”. In other words, that the copying or imitation must be supplemented by another foundation of a negative nature; and that prior to awarding compensation by force of the laws of unjust enrichment, it must be ascertained that there is no double compensation, and that by force of unjust enrichment it is possible to grant, when necessary, remedies that also include injunctions, despite the fact that these remedies are not mentioned in the Unjust Enrichment Law (*ASHIR* [1], at pp. 337, 363-365, 417, 486; LCA 6025/05 *Merck and consideration. Inc v. Teva Ta’asiot v. Teva Pharmaceutical Industries Ltd* [26] para. 30)(hereinafter; *Merck* case)). As mentioned in one of the three cases heard in *ASHIR* [1] (LCA 5614/95) the majority view was that the respondents indeed had grounds for claim under the Unjust Enrichment Law, given that the applicants in that case had executed a “complete imitation” of the product by way of “Reverse Engineering” and given that the respondents had invested a protracted effort in the development of the product, which was not a simple, standard product.

21. The current case differs in a number of aspects. First, Adidas owns a registered trademark and its action is based primarily on the infringement of that trademark, notwithstanding that in addition to that ground it also raised other grounds, including passing off and unjust enrichment. The question which arises is whether in a case in which it was held that the foundations that confer protection to the owner of a mark under the laws of intellectual property were not established, and where it was further established that under the circumstances there were no grounds for the tort of passing off, the plaintiff should be allowed to raise alternative grounds of unjust enrichment. The majority judges chose to leave open the question of whether in a case in which the plaintiff was entitled to sue on the basis of intellectual property he should also have the option of suing simultaneously or alternatively on the basis of unjust enrichment (see *ibid* [1] at pp. 418, and 455). In other cases that came before this Court after the handing down of the *ASHIR* [1] ruling, the court opined that where the plaintiff had failed to prove the infringement of a registered trademark and not being entitled to proprietary protection in the form of an “institutionalized right”, he should not be given a remedy under an alternative grounds in reliance on the Unjust Enrichment Law, and in the words of the court in the *Absolute* [5] case “In the case of registered trademark, the appellants were able to take the high road of the laws of intellectual property, whereas in that decision *ASHIR* [1], there were no

registered rights of intellectual property, Once the high road had not been successful, the side roads too would not be successful “ (*ibid* [4], p. 888; see also *Prefetti* [25], at p,466; Friedman, 1989 -1090; Miguel Deutch, *Commercial Torts and Trade Secrets* pp. 50 – 51 (2002). However, even if we assumed for argument’s sake that the dismissal of the claim concerning the infringement of a trademark does not *ipso facto* preclude the alternative grounds of unjust enrichment, it seems indisputable that such a dismissal should carry significant weight in determining whether there are foundations for the alternative grounds, especially in view of the holding concerning the absence of misleading. In our case the Respondent used the sign of *four* stripes on the sided of the shoe (as distinct from the three stripes of Adidas), and, most importantly, the word SYDNEY was embossment in two prominent places in the shoe, as well as in the inner sole). In my view these data make this case significantly different from the case considered in *ASHIR* [1] which concerned, as mentioned, a “complete imitation” of the product, by way of “Reverse Engineering” and a product comprising development and invention, (as opposed to the use of the element of the stripes, which as mentioned, is weak in terms of inherent distinction).

This Court reached a similar conclusion in rejecting a claim of unjust enrichment (even in the absence of claims concerning the infringement of intellectual property laws, apart from the tort of passing off) in another case in which it did not find that there had been a “complete imitation” of the Apropos snack. In that regard the court stated further that:

‘[G]ranted protection against partial copying of the product may spread the protective umbrella of the laws of unjust enrichment over a large number of cases. Hence, for example, acceptance of the appellant’s position could lead to an almost blanket prohibition on the use of a hollow cone in the designing of snacks. Protection of this kind involves a grave impingement on the freedom of competition and this carries significance in the balancing of the considerations (CA 945/06 *General Mills Inc. v. Meshubah Food Industries Ltd* [26], para. 20

For all of the reasons set forth above, my view is that Adidas’s claims regarding unjust enrichment were rightly dismissed.

22. After writing my opinion, I read the opinion of my colleague, the Deputy President (Ret.) E. Rivlin, and notwithstanding my argument with his conclusion on the matter of unjust enrichment, I wish to note that I too do not concur with the District Court's approach to the effect that it is a "legitimate goal" to enable a person lacking sufficient means to "experience the feeling of wearing shoes with four stripes which are somewhat reminiscent of Adidas shoes" However, as opposed to my colleague I think that our case does not concern the giving of such an experience, by reason of the significant differences between the shoes, chief among them being the specification of the word "SYDNEY" in no less than three places on the shoe.

Final Word

23. In view of which I propose to my colleagues to dismiss the appeal and to order Adidas to give the Respondent the shoes that he imported, and which are in its possession. For the removal of all doubt, it will be clarified that Adidas will bear all of the costs involved in the storage of the shoes in Customs, and in its own possession, as per the decision of the Trial Court and its decision in the application for a stay of the execution of the decision. Likewise, I propose to my colleagues to obligate Adidas to pay to the Respondent attorneys fees in the appeal for the sum of NIS 25000. The suggested sum of expenses has taken into account the significant sums of expenses that were already awarded against Adidas in the Trial Court.

JUSTICE

Justice E. Rubinstein

A. After consideration, I concur with the decision of my colleague Justice Hayut. I confess, that I consented after some hesitation, which also found expression in the hearing before us, and having read the decisions of Justice (former title) Grunis in LCA 3217/07 *Brill v. Adidas* [10] and his decision in LCA 3581/05 *Shehana'al Mat'ima v. ADIDAS-SALOMON* [9] (not reported). At a first blush, the shoe produced by Respondent 1 may remind one of the Appellant's shoes in accordance with a comparison of the pictures in the file. This is the case even without having consideration for the decisions of courts around the world with respect to the Appellant's trademark. Furthermore, in the matter of *Shehana'al Mat'ima* [9], Justice Grunis stated

that “when examining the existence of a resemblance for purposes infringement of a registered trademark, the comparison must be conducted between the registered mark and the mark alleged to be infringing, and not between the products on which the mark appears” (para. 3).

B. However, at the end of the day I accept my colleague’s approach, that in our case “one cannot examine the trademarks.... in absolute detachment from the goods on which they appear” (para. 14). However, it would not be amiss to mention (further to the comments of my colleague (*ibid*), that even the decision in *Ta’am Teva* [12], which is relied upon in the decision in *Shehana'al Mat'ima* [9], deals with a phonetic trademark, regarding which there is almost no escape from examining it in detachment from the product to which it relates.

C. In examining the shoe itself, from close up, even though as stated it may be *reminiscent* of the Appellant’s shoes, it seems doubtful whether anyone would mistakenly think that he was actually holding an “Adidas” shoe, even though it bears a connection of some kind to the Appellant. Indeed, our concern is with stripes, but both on the surface of the shoe in the back and on its tongue, there appears the inscription of “SYDNEY” and inside it too. Furthermore, the price of the shoe is not in the same categories of that of the Appellant’s shoes, and they are evidently intended for a different public, even without giving consideration to broader societal observations, which, with all due respect, I do not agree with in their current form, and which emerged from the decision of the Trial Court. Against this background, the use of the four stripes pattern would not cause clients coming to buy the shoe, upon taking a second look at the shoe as it is, to mistakenly think that it was one of the Appellant’s shoes (and hence it does not answer the requirement of passing off). There would seem to be no reason for thinking that these clients would think that the Respondent’s shoes, even though featuring stripes, are connected to Appellant (and hence there is no dilution of good will), in as much as the word SYDNEY is embossed on them.

D. My approach is also based on my colleague’s point of departure with respect to the weak inherent character of the trademark, and her assessment, which I accept, that “It seems difficult to claim that had Adidas not chosen this mark, that no other shoes would have been manufactured with stripes on their sides” (para. 10). This is my position even though I cannot but mention that my assumption is that the respondent did not chose the stripes in vein. In

this context one should remember that words of Justice Nethanyahu in the *Kalil*[11] case:

The registered marks of Kalil (*ibid* – the stripes on the samples that serve for identification – E.R) are indeed limited to three stripes, but a monopoly on any particular number of stripes would prevent many others from using stripes because of the restriction on the possible number of stripes dictated by the breadth of the profile” (HCJ 144/85 *Kalil No-Steal Metals Ltd v. Registrar of Patents and Samples and Trademarks* [11] at p. 323)

This is the rule even though the metal stripes industries is not the same as stripes on shoes in terms of their frequency and their visibility. Examples of stripes on pieces of clothing are at least as old as the Bible, “Now Israel loved Joseph more than all his children, because he was the son of his old age; and he made him a coat of many stripes” (Genesis 37:3. The same is true of Tamar the daughter of David, who, as the practice for daughters of kings, wore a striped coat (11 Samuel 13, 18). Extreme care is therefore required in conferring absolute exclusivity in this context, which may, unintentionally disrupt the delicate balance between the protection of intellectual property and the protection of freedom of occupation and free competition (see my comments in the matter of CA 9191/03 *V & section Vin Spirt Aktiebolag v. Absolute Shoes* [5] , at pp, 877, 884)

E. After all this, we received the judgment of my colleague, the Deputy President (Ret) Justice E. Rivlin, in which he seeks, in a manner which, undeniably, possesses a certain charm, to broaden the protection in the field of trademarks, by enlisting the grounds of unjust enrichment. In his view, there should be a broadening of the rule determined in *ASHIR* [1], according to which in a case in which the rules of intellectual property do not apply given the absence of registration, it should be possible to recognize the grounds of unjust enrichment. According to my colleague, in our case the consumer is purchasing an imitation those benefits from the good will of the manufacturer – Adidas, for a cheap price, and the imitator (Respondent 1) benefits from the manufacturer’s efforts without giving consideration. My colleague’s view is that this subject is not adequately regulated in the trademarks law, and a remedy should therefore be granted against the imitation of a registered trade

mark. and contrary to the view of the Trial Court enabling the cheap purchase of shoes “that are somewhat reminiscent of Adidas shoes” should not be regarded as a legitimate goal. As mentioned, I am not a partner to the societal conceptions to the extent that they work at Adidas’s expense. However, I am doubtful as to whether the *ASHIR* [1] rule can be of assistance in the case at hand. The rule is intended for cases in which the laws of intellectual property are inadequate, not because matters of substance but rather because of the absence of registration, and hence a certain protection is offered based on the laws of unjust enrichment. The question however is whether the law provides a protection to a *quasi-intellectual property* for cases in which the laws of intellectual property were indeed examined, but not infringed, as in the case before us, and where it was unanimously decided that Adidas does not have trademark protection, notwithstanding its registered mark? In the *ASHIR* [1] case the imitation was complete and the question was whether the laws of unjust enrichment should apply. However, this did not happen in the case before us. On the level of the desirable law, my heart is with my colleague, the Deputy President. But is this the *existing law*? Indeed, the case is not similar to the aforementioned ruling in *Absolute* [5], which concerned the differentiation between shoes and vodka, whereas our case concerns the difference between one shoe and another. However, my colleague seeks to construct a protection for cases in which the law gives no protection, and in this sense differs from the *ASHIR* [1] rule, and even, so it would seem, from the minority opinion in that case. Summing up, I am not certain that the grounds of unjust enrichment can supplement the laws of intellectual property in cases in which they do not apply by reason of an internal, substantive reason, and not just because of an external procedural one, such as the absence of registration, as was the case *ASHIR* [1]. Even if the notion that my colleague has attempted to develop was commendable on its merits, and even were we to adopt the path of my colleague, is it sufficient to “assume” that Adidas was harmed by the “enrichment”. Perhaps such a case would be governed by what is referred to in Jewish law as “He benefits and he does not lose” (*Talmud Bavli, Bava Kamma, 20a*). Isn’t there a need for a firmer evidentiary basis, showing that the person who purchases a cheaper product of the Respondent would have purchased “Adidas” shoes had he not come across the Respondent’s shoes, or that the good will built up by Adidas is what caused the consumer to buy the Respondent’s shoes, even though one look at the name “SYDNEY” suffices to make it clear that that it is not the same shoe. And at all events, the question is whether, in order to come within the purview of the *ASHIR* [1] rule, it is sufficient to prove – assuming that it was actually

proved - that the association with the Appellant's shoes is what caught the eye of the consumer. I am not certain that this is the case. Indeed the question of the slippery slope may arise here, but at the end of the day the solution provided in the domain of trademarks is generally expected to provide the answer, without locking the door upon future development of the law in accordance with the circumstances.

JUDGE

Deputy President (Ret) E. Rivlin

1. I have read the judgment of my colleague Justice E. Hayut in depth, and while I share her position regarding the grounds of the infringement of trademark, were my opinion to be heard, we would accept the appeal with respect to the grounds of unjust enrichment.

2. Trademark law has a dual objective: On the one hand, protection of the consumer against a mistake in the identification and purchase of a product that differs from his original intention; and on the other hand, protection of the manufacturer's good will and title in the trademark (see for example, LCA 5454/02 *Ta'am Teva (1988) Ltd v. Ambrozia Sofharb Ltd* [12] at p. 450). It bears emphasis that the protection of the manufacturer's property does not just consist of the indirect protection granted to him by the very fact that the consumer seeking to purchase his goods will be able to identify them. The protection of the manufacturer's interest in the trademark is also a direct one, stemming from its being an independent purpose of the law (and not just a means of protecting the consumer). This direct protection finds expression, for example, in the fact that misleading is not a necessary foundation of the infringement. For example, an infringement under s. 1 (1) of the Trademarks Ordinance [New Version] 5732-1972 is defined as follows:

"infringement means the use by a person not entitled thereto -

(1) of a registered trademark or of a mark resembling such a trademark in relation to goods in respect of which the trademark is registered or to goods of the same description
(addition added).

In other words, when use is made of a mark that is *identical* to a registered trademark (for purposes of goods defined in the aforementioned s. 1 (1)) an infringement occurs even if the infringing use does not mislead the consumers. For example - were shoes to be sold with a trademark identical to the Appellant's registered trademark, we would not even consider the question of whether there was a danger of misleading potential consumers, even in the absence of such a danger, i.e. where the consumer had received precise information regarding the identity of the manufacturer on the packaging. It may be presumed that if the trademark rule was intended exclusively for the protection of the consumers, then the element of misleading would be required as one of the foundations of the grounds of action. In fact, in certain cases protection is given to a trademark even in the absence of misleading, and in such a case the grounds serves primarily for protection of the manufacturer's title and his goodwill. In this way, *inter alia*, the grounds of trademark infringement is distinguished from the tort of passing off. Whereas misleading is one of foundations of the tort of passing off, in the framework of the grounds of trademark infringement, misleading is only relevant for purposes of determining what constitutes a "mark resembling" a registered trademark.

3. The examination of the existence of the danger of misleading both in the framework of the grounds of infringement of trademarks and in the framework of the tort of passing off, is done by way the "three part test" expounded upon at length by my colleague, Justice Hayut. Even so, it was held in the past that the subject to be examined for each of these grounds is different. In the framework of the tort of passing off, the misleading is examined in relation to the *entirety of the defendant's acts*, whereas with respect to the ground of trademark infringement, the subject of the examination is the *marks themselves* (see *Ta'am Teva* [12], at p. 450). My colleague, Justice E. Hayut opined that in the case before us, the marks should not be examined in isolation from the shoes on which they appear, also having consideration for fact that the law according to which the comparison should be between the marks themselves, was formulated in the framework of decisions that concerned phonetic trademarks as opposed to visual ones. I concur with this position, and in fact it flows naturally from the nature of the "three part test". Two of the secondary tests included therein are the test of the "type of customer and class of goods"; and test of the "other relevant circumstances". These tests, as indicated by their names, instruct us to examine the circumstances accompanying the use of the mark. For example, in the matter of *Ta'am Teva* [12] it was written that:

Is the phonetic resemblance sufficient to satisfy the requirement of resemblance specified in the definition of "infringement"? This depends on the individual circumstances of each particular case, and the degree of concern about misleading and confusion among the consumers notwithstanding the different appearance of the marks... For this purpose consideration should be given to the methods of marketing, and advertising of the products for which the trademarks are intended. In this context there must also be an examination of the possible results of the confusion (*ibid* pp. 455- 456).

The additional circumstances to be examined are for example: the costs of the products; capacity for discernment on the part of potential customers; and the degree of overlap between the circles of customers for both products. Indeed, the types of circumstances to be taken into account in the framework of the "three part test" are numerous, a factor which may also be derived from the very existence of a secondary test referred to as "all the other circumstances of the matter"). In practice, this leads to a situation in which within the framework of the infringement of trademark too, just like in the tort of passing off, the assessment relates to the defendants' conduct in the broad sense, and is not limited to the comparison of the marks themselves (even though the comparison between them continues to be a relevant consideration). It is difficult to say that the entire complex of circumstances is relevant but that the general appearance of the product upon which the mark appears cannot be taken into account. The appearance of the product on which the mark is embedded is certainly closer to the "mark itself " and more influential upon the way it is perceived than, for example, the price of the product or the manner in which it is marketed. Naturally, the weight attaching to the appearance of the product will change from case to case, and there are cases - for sample in *Ta'am Teva* [12] in which its importance is minor. All the same, one cannot rule out having reference to general appearance of the product in cases in which such attention is inevitable, such as in the case before us. Accordingly, I concur with the conclusion of my colleague, that in the case before us the marks should not be examined in isolation from the shoes upon which they appear and that the "three way test" leads to the conclusion that there is no confusing similarity (in terms of consumers)

between the Respondent's shoes and the registered trademark of the Appellant, and it cannot sue on the grounds of trademark infringement.

4. Matters differ however with respect to the grounds of unjust enrichment, for which the Appellant has grounds.

In the decision in LCA 5768/94 - *ASHIR* [1] it was held that there is no impediment in principle to recognition of the grounds of unjust enrichment (which will be hereinafter be referred to for the sake of brevity as: *enrichment*) in a case in which the laws of intellectual property are also applicable. In accordance with the criteria outlined there, recognition of these grounds is possible in our case both because the law of trademarks does not establish a negative arrangement in *this particular* subject and because a right arises under the “internal law” of enrichment.

5. The matter before us is this. A person wishes to use a mark that resembles (in the regular sense of the word)the registered trademark of another person, in respect of whom it is not disputed that he acquired extensive and significant goodwill. The consumer prefers the *resemblant* product over the product that carries the registered trademark. because of the high price of the latter (inter alia due to the good will that he has acquired). In other words: The consumer is aware of the fact that the product that he is purchasing is a copy, and precisely because of that he prefers this product. The imitator and the consumer both benefit from this situation. The imitator benefits from the advantage of selling a product that resembles a well known product in demand and with a brand name, while benefitting from the good will built up by the manufacturer by the investment of effort and resources. The consumer benefits from an experience that closely resembles that of purchasing a well known product that is in demand, without having to pay a high price for it. In such a case harm is caused to the manufacturer and to the good will that he created for himself. This harm may take various forms: The imitator enjoys the investment made by the manufacturer in the development and the advertising of the brand-name (one of its expressions being the registered trade mark); the consumers (or at least some of them) would not have been interested in the copy and would not have derived the same amount of pleasure from it were it not for the efforts invested by the manufacturer in the promotion of the original product, but at the same time they pay no consideration to the manufacturer. Presumably at least some of the consumers would have been prepared to purchase the original product for a high price had they not had the possibility of purchasing an imitation at a cheapened

price. And finally, the existence of an "imitations market" may, in some of the cases, harm the prestige of the original product and the commercial value of the registered trademark.

6. Trademarks law today does not regulate this subject - of imitations purchased by the consumer intentionally and not mistakenly – insofar as it protects against harm suffered jointly by the manufacturer and the consumer, and not just against harm suffered by the manufacturer, and which the consumer is a party to. Even more precisely, this is not the regular case in which there are no grounds for trademark infringement given that the resemblance between the products does not reach the level of "confusing similarity". One could argue that indeed there is a confusing similarity, but not with respect to the consumer but rather with respect to third parties who perceive the consumer as having purchased the original product. The non-applicability of the grounds of trademark infringement in relation to cases of "classic" imitation (in other words products that are clearly an imitation, where even the consumer is aware of their being an imitation) does not reflect a policy decision in accordance with which the "imitations market" is desirable in the legislator's eyes. Were this the case it is clear that a complete imitation as well of a trademark would be permitted, provided that it did not involve the misleading of the consumer (this situation can transpire when "external circumstances" such as packaging, price and manner of marketing, indicate that it is an imitation). Our concern is therefore, at the very most, with a lacuna in the law of trademarks. It should further be remembered that this lacuna is the product of the formulation of the law by the courts, who applied the "three part test" for defining an infringement of a trademark by way of a "similar" mark, and it is not necessarily dictated by the language of the law. The formulation of the law in this manner was not intended in the first place for protection against the "imitations market". Hence for example, the following words were written in relation to this context already about twenty years ago.

'the imitation of a product by another, as such, is not prohibited in Israel for as long as it does not constitute the offense of passing off, or is not contrary to the statutory provisions that protect intellectual property, such as the laws of copyright, trademarks, patents and designs, or any other law.

A separate question is whether the imitation of a product is desirable.... regardless of our position on that question, for as long as the plaintiff has not proved that he has a legal right that allows him to prevent the copying of his product by another person, this court will not offer him any remedy (comments of Deputy President M. Elon, in CA 18/86 *Israel Glass Factories Venice Ltd v. Les Verreries De Saint Gobain* [6] at pp. 253-254).

I think that the time has come, following the establishment of the law in the *ASHIR* [1] case, for the Israeli law to offer a remedy against imitation, at least where it concerns the imitation of a registered trademark, the entire purpose of which is to benefit from the good will of another, when the latter even took the trouble to legally register the trademark that is bearer of good will. I am not a partner to the approach expressed by the District Court, according to which it is a "legitimate goal" to enable one who cannot afford it to purchase Adidas shoes and to "be able experience the feeling of wearing shoes with four stripes which are somewhat reminiscent of Adidas shoes". This goal is totally illegitimate. The experience of wearing Adidas shoes has no independent value or social benefit other than the value conferred to it by Adidas, and accordingly I do not think that the existence of an imitations market is a positive phenomenon. It will be clarified that there can be no doubt regarding the tremendous value of competition in the footwear market, so that potential consumers are offered a variety of shoes of a variety of qualities and prices. However, free competition can exist without the abuse of another's person's good will.

7. It further bears mention that the comments made in C.A. 9191/03 *V & S v. Absolute* [5] and which were cited by my colleague in para. 21 of her opinion, do not lead to a different conclusion. In that case the owners of the registered trademark named "absolute" (a category of alcoholic drinks - Vodka and a category of bar-restaurant services) attempted to prevent a network of shoe stores from using the name "absolute shoes". Their suit was dismissed, primarily due to the fact that the word "absolute" is a descriptive, dictionary word, the use of which cannot be excessively restricted, and its confusion potential when combined with a word from a totally different realm from that of beverages, is particularly low. Accordingly, in that case there were substantive policy considerations that negated the protection of the laws of

intellectual property and hence it was not an appropriate case for applying the enrichment laws. It cannot be argued that the laws of intellectual property did not regulate the subject of using descriptive terms, whether in framework of the same category or other categories, and in that sense "the appellants were able to take the high road of the laws of intellectual property" which if not successful - then "the side road too would not be successful" (*ibid* at p. 888). The matter before us, on the other hand, has not been substantively regulated in the framework of the laws of intellectual property, and hence it cannot be said that the high road of the laws of intellectual property was open to the Appellants before us.

To sum up: In terms of the laws of intellectual property there is no impediment to the recognition of a grounds of claim based on enrichment in relation to the imitation of a registered trademark regarding which there is no "confusing similarity" insofar as the consumer is aware of its being an imitation.

8. The next stage is the examination of whether the Appellant has grounds for claim under the laws of enrichment themselves. It is known that this ground has three foundations: the first condition is the existence of enrichment; the second condition is that the enrichment came to the beneficiary from the benefactor; and the third condition is that the enrichment was received by the beneficiary "without legal cause" (see LCA 371/89 *Leibovitz v. Etti Eliyahu Ltd* [28] (hereinafter *Leibovitz*) at p. 321; CA 588/87 *Cohen v. Zvi Shemesh* [29] at p. 320; FHC 10901/08 *Beizman Investments Ltd v. Mishkan Bank Hapoalim Mortgages Ltd* [30] para. 34 of Justice Naor's decision. In the matter of *ASHIR* [1] it was held that enrichment "without legal cause" for our purposes means enrichment which has "an additional foundation" of inappropriate conduct. The majority judges were disputed regarding the essence of this foundation but still, the majority opinion was that conduct in bad faith or unfair competition would constitute "an additional foundation" and there were those who were even prepared to suffice with a lower threshold. For a review of the various positions, see *ASHIR*[1], at p. 431 (the judgment of Justice Strasbourg-Cohen), at pp. 450, 473-480 (judgment of President A. Barak), at p. 488 (judgment of Justice T.Or), at p. 493 (judgment of Justice Y. Zamir) and p. 499 – 500 judgment of the Deputy President S. Levin). In CA 2287/11 *Shoham Machines and Dies Ltd v. Shmuel Hadar* [31] (hereinafter = *Hadar*) I dwelt on the more specific criteria that had crystallized in relation to the subject considered in *ASHIR* [1], which concerned the imitation and design of a product that was not registered as a patent or design.

Where a person attempts to copy a trademark that enjoys good will with economic value, with the aim of benefitting from that good will in order to sell his products, following the original manufacturer's investment of resources and effort in the development of his good will in that mark, while the imitator benefits from them without having been compelled to invest a similar effort – it becomes unfair competition, and in bad faith. I find it difficult to locate a real difference between use of the trade mark that is actually registered, regarding which it was explicitly declared that it is an imitation (so that the owner of the registered trademark will merit protection) and the use of a trademark which is highly similar to it, while declaring that it is an imitation (in which case the owner of the registered mark will not be protected by the trademark rule). The negative element of a complete imitation of a trademark continues to exist even where a minor change was made in that mark).

This is the case before us. The addition of one stripe, retaining the colors of the registered trademark and using only one color for the stripes, while placing them in the same direction, in the same location on the surface of the shoes and with an identical breadth and distance between them – all amount to a substantial and bad faith resemblance to the registered trademark of the Appellant. And in fact, the District Court also held that purchasing the Respondent's shoes serve the consumers' goal of having "the experience" of wearing shoes similar to those of the Appellant. The shoes in their current form were clearly designed so that they would resemble the Adidas shoes of the Appellant in order to enhance their attractiveness in the eyes of consumers.

9. The existence of the first two foundations is essentially a question of fact, which must be proved in each and every case. In the case before us the Respondent's profits from the sale of the shoes (had he been given the opportunity to do so) would have generated enrichment. This enrichment would have been "at the expense" of the Appellant, because presumably the sales of shoes resembling Adidas shoes would be higher than the sales of shoes that are not similar to any known brand. Likewise, it may be presumed that at least some of the consumers of the Respondent's shoes would have purchased original Adidas shoes had they not had the possibility of purchasing a cheap imitation. The case is similar to the case discussed in the matter of *Leibovitz* [29], concerning the adjudication of an action brought by a pens distributor against someone who imported the same pens in "parallel import". In that case it was held that the first two foundations of the grounds of unjust enrichment were satisfied (even though the third foundation was not satisfied):

‘In the circumstances of this case, it may *prima facie* be presumed that the appellant received a benefit that came to him from the respondents. The benefit consisted of the profits derived by the appellant from the sales of the products under discussion here. *By these sales the appellant benefitted from the market created by the respondents for the said products. In that sense, the respondents were the source of the benefit and it can be argued that it “came” from them* (see *Leibovitz* [29], at p. 321).

This is also applicable to the case before us, in which the Respondent is attempting to benefit from the market developed by the Appellant and the good will created for its trademark.

10. Having reached the conclusion that the Appellant can make a claim on the grounds of unjust enrichment, the question arises regarding the relief to which he is entitled in that framework. It is known that the court has the authority to grant injunctive relief in the framework of the grounds of unjust enrichment (see CA 347/90 *Soda Gal Ltd v Spielman* [32], IsrSC 47 (3) at p. 479; *ASHIR*[1] at p. 484; *Harar* [31] para. 27 of decision). In the case before us, the Respondent suggested that the Adidas make certain changes in the shoes by adding a fifth stripe, or adding an X sign on the four stripes. The introduction of such a change would diminish the resemblance between the mark on the shoe and the trademark of the Appellant. Accordingly, were my opinion to be accepted I would propose the issuing of a permanent injunction that would prohibit the Respondent from marketing or distributing the shoes in dispute, in their current design. This order will remain in place until one of the changes suggested by the Respondent is done, in which case the shoes will be given to the Respondents. As mentioned, the parties agreed that the storage costs would be imposed upon one of the parties according to the results of the suit, and so, in accordance with my position, it would be proper for these to be imposed on the Respondent. Under these circumstances I would also recommend not making an order for expenses.

Deputy President (Ret)

CA 563/11

ADIDAS SALOMON v. Gaal Yaasin

It was decided in accordance with the decision of Justice E. Hayut.

Handed down this day, 9th Elul 5772 (27.8.2012)