

BARCODES

Who owns them and how can you use them?



Virtually every product sold will bear a barcode yet most people will not have considered who the legal owner of that barcode is or whether there are any limitations on the use of that barcode.

What does a barcode do?

Barcodes are often thought of as a simple piece of cost cutting technology that allow products to be scanned and sold in an efficient way which reduces time and cost. The reality, however, is that they are much more.

Barcodes allow retailers to encode information about their products, monitor stock levels, facilitate online sales through sites such as Amazon, fulfil orders and identify products that have been sold by them in the event of quality issues. In short, barcodes allow retailers to standardise their supply chain processes and to track products as they move through the supply chain.

The most common type of barcode is a Universal Product Code (UPC). UPCs are unique 1D 12 digit barcodes.

Who owns a barcode?

In the UK, most UPCs are obtained from GS1 UK Ltd (GS1), a global not-for-profit organisation which provides barcodes to over two million member companies. When obtaining a UPC from GS1, a company is assigned a unique Company Prefix that is between 6 and 11 digits long. This serves as a "base" to identify the company, with the remaining digits being assigned to specific products. This means that each product has its own unique barcode.

Where a barcode is obtained from GS1, it is held under the terms of a licence. Therefore, the company using the barcode is not itself the owner of the barcode, but instead a licensee. The barcode can only be used in accordance with the licence.

GS1's terms and conditions provide that only the licensee may use the barcodes and that the barcodes may not be transferred or used by another party. GS1's terms also provide that any intellectual property rights in the barcodes will be owned by GS1, with the right to take any legal action in respect of any alleged infringements being reserved to GS1 only. IP rights which may exist in the barcodes include artistic copyright. In relation to disputes concerning barcodes, it is notable that a number of online marketplaces, such as Amazon, do not currently recognise barcode disputes within their intellectual property disputes policies.

What happens if another company applies your barcode to its products or its barcode to your products?

Amazon.com recently updated its listing policy to make it a breach of its policy if a seller uses its own barcode on another manufacturer's product. The use of inconsistent barcodes, for example the use of a barcode that is different to the manufacturer's barcode, is also a breach of Amazon.co.uk's listing policy.

As well as being a breach of Amazon's listing policy, under English law the application of another party's barcode to your product or the application of your own barcode to another party's product, may amount to passing off.

To succeed in a claim for passing off, a claimant company would need to show that:

- ▶ the claimant had established trading goodwill in the barcodes (in the case of a third party applying the claimant's barcodes to its products) or in the claimant's trading name /get up (in the case of third party applying the third party's barcodes to the claimant's products). The second scenario will be much easier to establish than the first.
- ▶ people (consumers/trade public) would be confused into believing that products containing the barcode originated from or were otherwise authorised/endorsed by the claimant company when they were not; and
- ▶ the claimant company has suffered loss as a result. Loss would most likely be reputational damage in the event of a quality failure or loss of profit for sales it would otherwise have made had it not been for the confusion.

Whilst at first glance it may appear difficult to assert that the use of a barcode would result in confusion, the purpose of a barcode is for a product and its supply chain to be identified. Therefore, as retailers move to fully automated processes, and online products are identified by reference to their barcode alone, it is likely that the strength of this argument and likelihood of confusion will only increase.

Headline Points

- ▶ Where a retailer uses a GS1 barcode, it will do so pursuant to the terms of a licence. This contains specific restrictions on how a GS1 barcode can be used.
- ▶ GS1 will remain the owner of any intellectual property rights in the barcode. GS1's standard terms also reserve the right for GS1 alone to take action in respect of any alleged infringements. As set out above however, it may still be possible to pursue a claim for passing off.
- ▶ Where the parties to a contract intend for a GS1 barcode to be used, GS1's terms and conditions should be reviewed and specific contractual provisions should be included. For example:
 - ▶ If a party intends that a buyer of a business or brand should not be able to use its barcodes following a sale, it is better that this is specifically addressed in the contract. The barcodes used by the business or brand being sold are unlikely to be owned by the seller. It is likely that the barcodes will be licensed to the seller by a third party such as GS1.
 - ▶ Parties should consider whether to specifically include barcodes within the definition of "Intellectual Property" for the purposes of any due diligence.

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