

TRADE MARKS ACT 1994

IN THE MATTER OF

Application No. 3418943 “SUN STATE HEMP” in the name of Nadeem Akhtar (“Appellant”)

AND IN THE MATTER OF

Opposition Thereto No. OP000418484 thereto by ELH Products LLC (“Respondent”)

AND IN THE MATTER OF

An Appeal to the Appointed Person against a decision of the Hearing Officer, Teresa Perks

DECISION

1. This is an appeal from the decision of the Hearing Officer, Teresa Perks, dated 22 June 2022. The applicant for the trade mark (Mr Akhtar) appeals this decision in respect of the Hearing Officer’s finding of bad faith pursuant to Section 3(6) of the Trade Marks Act 1994.

BACKGROUND

2. The application was filed on 5 August 2019 and seeks registration for various goods and services in classes, 3, 5, 29, 30, 34 and 35. The respondent (“ELH”) opposed the applications under both sections 3(6) and 5(4)(a) of the Act. The opposition succeeded under section 3(6) of the Act.
3. Mr Akhtar and his brother run a business in the UK selling goods branded “SUN STATE HEMP”. ELH is a US company that manufactures and distributed CBD products. In the USA, ELH trades under the brand name “Sun State Hemp”.
4. The following facts are not in dispute on this appeal. First, that there was a commercial relationship between the Akhtar brothers and ELH which started in 2017-2018 whereby ELH manufactured goods in the USA and Mr Akhtar and his brother imported and sold these goods in the UK. Second, there was no formal agreement which addressed the status of any rights in the Sun State Hemp brand in the UK. Third, in or about June 2019 the parties fell out and now

both parties claim to have an exclusive right to continue to use the brand Sun State Hemp in the UK.

5. Before the Hearing Officer there was a considerable dispute about the precise relationship between the parties. An issue of particular importance on this appeal was dispute as to the significance of the fact that some of the invoices raised by ELH for “Sun State Hemp” products were marked “private label”. The Appellant’s case was that term “private label” indicated that ELH were manufacturing the products for Mr Akhtar using Mr Akhtar’s brand name and supported this with evidence as to the meaning of the term. The Respondent disagreed. It submitted evidence from its Chief Financial Officer Mr Castellanos which stated that the term “private label” was used on some invoices to indicate that ELH had made adjustments to products or labels so they complied with the UK Market. The Appellant did not apply to cross-examine Mr Castellanos.
6. Having reviewed the evidence relating to the issue of bad faith, the Hearing Officer stated as follows [94] – [97]:
 94. The following are in my view indicative of the fact that the brand belonged to the opponent
 - (i) the evidence establishes that before the brand ‘SUN STATE HEMP’ was created, the applicant imported other goods supplied by the opponent under other brands which belonged to the opponent, e.g. ATMOS. The initial relationship between the parties was therefore one of brand owner/distributor;
 - (ii) All of the invoices exhibited, including those relating to the sales of ‘SUN STATE HEMP’ products, qualify the sales as “wholesale”. Although the applicant might have received a discount on the price of the goods purchased, the trade between the parties was conducted as if they were unrelated companies, not brand partners;
 - (iii) The labels used for the ‘SUN STATE HEMP’ goods imported in the UK by the applicant clearly stated ‘DISTRIBUTED BY’ followed by the name of the applicant’s company, which confirms the opponent’s version that the applicant was, effectively, a distributor, not the owner (or co-owner) of the brand. In this connection I should mention that at the hearing I granted Mr Marsden’s request to be allowed to file evidence of the meaning of ‘private label’ as the term appears on some of the invoices filed and Mr Marsden relied on it to claim that the opponent supplied ‘white label’ products to the applicant. Subsequently to the hearing Mr Marsden filed a copy of a Wikipedia extract giving the following definition of ‘PRIVATE LABEL’: “Private label products are those manufactured by one company for sale under another company’s brand”. In response to this evidence, the opponent filed a witness statement from Lani Castellanos the opponent’s Chief Financial Officer dated 7 April 2022. Mr Castellanos states that the term ‘private label’ is used on some of the invoices only to indicate that they had to make adjustments to the products/labels for them to comply with the UK market. Whilst the term ‘private label’ may be used as synonymous of ‘white label’, it is not how it was used on the invoices and the evidence as a whole supports the explanation given by Mr Castellanos. Consequently, I reject Mr Marsden’s submission on the point
 - (iv) The fact that Rangzaib Akhtar asked Mr Benassayag “What do you intend to call the brand?” would suggest that Rangzaib Akhtar recognised that Mr Benassayag was responsible for the choice on the name, i.e. that Mr Benassayag was working on the development of another brand for the opponent.

95. However, once one considers the circumstances of the case, namely (a) that the applicant's brother provided some suggestions for the name 'SUN STATE HEMP' (which Mr Benassayag took on board) contributing to the creation of the brand; (b) that the brand was effectively created to launch a new line of CBD products and the products were adapted to meet the requirements and demand of the UK market using the applicant's local knowledge and (c) that the opponent relied on the applicant's efforts to market and sell the goods in the UK, it is understandable why the applicant thought that he was more than a distributor, namely a "brand partner" as suggested by a WhatsApp message of 6 July 2019 where Rangzaib Akhtar stated: [06/07/2019, 2:40:28 pm] Ummar: "Thought we were friends and partners with Sunstate hemp".
96. However, there is no evidence that the applicant or his brother had any final say in relation to the name that was eventually adopted by the opponent or in relation to the launch of the brand in the USA and/or the creation of the US website (from which the applicant's website was copied). My impression is that contrary to the applicant's thinking, the opponent always thought of 'SUN STATE HEMP' as one of its brands, in relation to which the applicant had no proprietor (or co-proprietor) rights.
97. Whilst the applicant might have believed that the parties were 'brand partners', I think a reasonable person in his position would have known that there was no partnership in the brand and that by applying for the mark 'SUN STATE HEMP' in the UK the applicant was effectively misappropriating the opponent's brand. Does the fact that the applicant might have built its own goodwill under the brand make any difference? I do not think it does. This is because the applicant was acting as a distributor, giving the opponent a route to the UK market whilst it was making a profit for himself. He had therefore a fiduciary duty to the opponent (as the brand owner) to act in good faith. In my view, although the fiduciary relationship between the parties was informal, it existed because the applicant's company and the opponent's company had a business relationship of trust and confidence, and the collaboration was based on a mutual understanding that each company would act for or give advice for the benefit of both its own company and the other, upon matters within the scope of their relation.
98. This might also explain the applicant's messages which accused the opponent of doing white label work behind their back. What happened in my view is that the parties having fallen out, the opponent might have tried to find other distributors in the UK using the 'SUN STATE HEMP' brand, changing the name of the company which distributed the products on the packaging. I think this would be a perfectly reasonable step to take for the owner of the brand. However, by filing an application to register a mark which the applicant knew belonged to the opponent would have prevented the opponent from finding other distributors for their products in the UK and would effectively amount to misappropriation of the brand. In looking at the picture as a whole I consider that the applicant was involved in a conduct which departed from the accepted standards of ethical behaviour or honest commercial and business practices. The application was filed in bad faith.

THE GROUNDS OF APPEAL

7. No issues of law were raised on appeal. Instead, the Appellant asserts that the Hearing Officer's decision is, given the facts before her, plainly wrong.

STANDARD OF APPEAL

8. This appeal is a review of the hearing officer's decision, not a rehearing of matters before her. It is well established that before I can interfere with the decision of the Hearing Officer it is necessary for me to find that there was either (a) a distinct and material error of principle in that decision or (b) that the Hearing Officer's decision was wrong (i.e., not merely a decision which I might have taken differently had I been deciding the matter). The relevant principles are set out in by Joanna Smith J in *Axogen Corporation v Aviv Scientific Limited* [2022] EWHC 95.

LEGAL PRINCIPLES: BAD FAITH

9. There was no dispute before me as to what legal principles that apply to the question of bad faith: they are as set out in *Sky Limited & Ors v Skykick, UK Ltd* [2021] EWCA Civ. 1121.

THE HEARING OFFICER'S ASSESSMENT OF THE EVIDENCE

10. The Appellant's submissions before me concentrated on the "private label" issue discussed in paragraph 94(iii) of the Hearing Officer's decision (as set out above).
11. The Appellant's argument, as it was before the Hearing Officer, is that the evidence it had filed in relation to ELH's private label sales overwhelmingly supported its case that there was no bad faith on its part. It submitted that the Hearing Officer had misunderstood the evidence on this matter and had, in particular, fallen into error by failing to:
- a. scrutinize adequately the evidence relating to the private label issue;
 - b. take into account the evidence of the meaning of the term "private label", and
 - c. to disbelieve, or otherwise discount, the evidence of Mr Castellanos in relation to why the ELH invoices were marked "private label".
12. In my view the Hearing Officer did take care to scrutinize the evidence before her in relation to the private label issue. This is apparent both from the content of her decision, and from the fact that she was prepared in the first instance to let this evidence in late. Likewise, there is in my view no reason to believe that the Hearing Officer failed to take into account the evidence relating to the meaning of the term "private label". Finally, in my view there is no proper basis for the suggestion that the Hearing Officer was bound to disbelieve (or otherwise reject) the evidence of Mr Castellanos. The evidence, on its face, is not incredible. Furthermore, the Appellant did not apply to cross examine Mr Castellanos (as it could have done). In the circumstances the Hearing Officer was fully entitled to take Mr Castellanos' evidence in to account.
13. I also reject the Appellant's more general criticism that the Hearing Officer's decision in relation to the private label issue was plainly wrong. In my view it was a decision that she was fully entitled to reach based on the evidence before her.
14. At the Hearing of this matter, Appellant did not focus on its remaining grounds of appeal. However, these grounds were maintained, were addressed in its skeleton, and I have considered them carefully. In my view none of them raise an error of principle. I therefore dismiss them.

CONCLUSION

15. For the reasons given above I dismiss this appeal.

16. Since the appeal has been dismissed the applicant is entitled to a contribution towards its costs.

I will therefore make an order that the Appellant pay to the Respondent a contribution of £1,000 toward its costs of the appeal. This sum should be paid in addition to the costs of £2,200 below.

I therefore order Mr Akhtar to pay ELH the sum of £3,200 by 4pm on Wednesday 15 March 2023.

GEOFFREY PRITCHARD

The Appointed Person

22 February 2023

Representation:

Appellant: Andrew Marsden of Wilson Gunn

Respondent: Jamie Muir Wood instructed by Boulton Wade Tennant LLP