

**O/1115/23**

**TRADE MARKS ACT 1994**

**INTERNATIONAL TRADE MARKS 3724593 & 3724599**

**IN THE NAME OF TESLA, INC.**

**AND**

**DESIGNATIONS OF THE UK FOR PROTECTION PURPOSES**

**AND**

**OPPOSITIONS 433349 AND 433351**

**BY MR AMANJ ALI**

**AND**

**APPLICATION 505366 BY TESLA, INC.**

**TO INVALIDATE EARLIER TRADE MARK 3486517**

**IN THE NAME OF MR AMANJ ALI**

## Background and pleadings

1. These consolidated proceedings cover:

(1) Oppositions 433349 and 433351 by Mr Amanj Ali, based on his earlier trade mark 3486517, to designations of the UK for protection purposes of International trade marks 3724593 and 3724599 owned by Tesla, Inc. (“Tesla”);

(2) An application by Tesla to invalidate trade mark 3486517.

2. The International registrations (“IRs”) for which Tesla seeks protection in the UK consist of the word **TESLA** in standard characters, and in the stylised form shown below:

The image shows the word "TESLA" in a stylized, bold, black font. The letters are blocky and closely spaced. The 'E' is particularly distinctive, with three horizontal bars. The 'L' has a small horizontal bar at the top. The 'A' has a horizontal bar at the top and a vertical bar on the right side.

3. The IRs cover ‘restaurant services, pop-up restaurant services, self-service restaurant services, take-out restaurant services’ in class 43.

4. The requests to protect the IRs in the UK were made on 23<sup>rd</sup> November 2021. However, the IRs claim priority from earlier national trade mark applications filed in the USA. Therefore, the effective priority date for the purposes of establishing precedence vis-à-vis other applications is 27<sup>th</sup> May 2021.

5. Mr Ali’s trade mark is registered with effect from 3<sup>rd</sup> May 2020. It is therefore an earlier trade mark for the purposes of section 6 of the Trade Marks Act 1994 (“the Act”). The mark consists of the words **TESLA CHICKEN & PIZZA**. It is registered in class 43 in relation to:

Take away food and drink services; Cafés; Cafeterias; Canteens; Catering; Catering for the provision of food and drink; Fast food restaurants; Ice cream parlour services; Pizza parlors; Providing food and drink; Restaurant services for the provision of fast food; Restaurants; Self-service restaurant services; Services for providing food and drink; Snack-bars; Take away food services.

6. The parties' registered services are therefore the same, or highly similar. Neither party seeks to make anything of the differences between the lists of services.

7. Mr Ali claims that the IRs are similar to the earlier trade mark and there is a likelihood of confusion on the part of the public. Consequently, he says that registration of Tesla's marks would be contrary to section 5(2)(b) of the Act, which states:

*“(2) A trade mark shall not be registered if because—*

*(a) -*

*(b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.”*

8. Tesla filed counterstatements denying the grounds of opposition. Although it refused to admit any of Mr Ali's claims, the main basis of Tesla's defence was, and is, that earlier trade mark 3486517 is invalid.

9. On 14<sup>th</sup> September 2022, Tesla applied to invalidate trade mark 3486517 under section 47 of the Act, the relevant parts of which are shown below:

*“(1) The registration of a trade mark may be declared invalid on the ground that the trademark was registered in breach of section 3 or any of the provisions referred to in that section (absolute grounds for refusal of registration).*

*(2) Subject to subsections (2A) and (2G), the registration of a trade mark may be declared invalid on the ground—*

*(a) that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain, or*

*(b) that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied,*

*unless the proprietor of that earlier trade mark or other earlier right has consented to the registration.”*

10. Tesla's application relies, in part, on International trade mark 1162462 (“the earlier IR”). This mark is protected in the UK with effect from 24<sup>th</sup> April 2013. It therefore

constitutes an earlier trade mark compared to Mr Ali's trade mark. The mark consists of the word TESLA in standard characters. The protection process was completed on 12<sup>th</sup> December 2013, and the earlier IR was protected in relation to:

Class 9: Batteries to supply electric power to motors for electric vehicles; wall-mounted electric power connector to charge electric automobiles; mobile plug-in electric power connector to charge electric automobiles; downloadable software in the nature of a mobile application for monitoring electric charge and status of vehicles and remote control of vehicle; downloadable software in the nature of vehicle operating system software.

Class 12: Automobiles and structural parts therefor.

Class 36: Financing relating to automobiles.

Class 37: Providing maintenance and repair services for automobiles.

11. Tesla claims that the earlier IR has acquired a reputation in the UK in relation to the goods/services for which it is protected. According to Tesla, use of the Mr Ali's trade mark would, without due cause, take unfair advantage or, and/or be detrimental to, the reputation or distinctive character of the earlier IR. Therefore, Tesla claims that registration of trade mark 3486517 was contrary to section 5(3) of the Act, which is as follows:

*“(3) A trade mark which—*

*(a) is identical with or similar to an earlier trade mark,*

*(b) –*

*shall not be registered if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.*

*(3A) Subsection (3) applies irrespective of whether the goods and services for which the trade mark is to be registered are identical with, similar to or not similar to those for which the earlier trade mark is protected.”*

12. Tesla’s case under section 5(3) also relies on earlier IR1222761, which consists of the word TESLA in the stylised form shown in paragraph 2 above. However, this adds nothing to the merits of Tesla’s section 5(3) case based on the (other) earlier IR. I will, therefore, say no more about it. Additionally, Tesla claims that registration of trade mark 3486517 was contrary to section 5(4)(a) of the Act, which is as follows:

*“(4) A trademark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented—*

*(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, where the condition in subsection (4A) is met,*

*(aa) –*

*(b) -*

*A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an “earlier right” in relation to the trade mark.*

*(4A) The condition mentioned in subsection (4)(a) is that the rights to the unregistered trade mark or other sign were acquired prior to the date of application for registration of the trade mark or date of the priority claimed for that application.”*

13. In support of this ground Tesla claims to have used the word TESLA in the UK since 2003 in relation to the following goods/services:

Batteries to supply electric power to motors for electric vehicles; wall-mounted electric power connector to charge electric automobiles; mobile plug-in electric power connector to charge electric automobiles; downloadable software in the nature of a mobile application for monitoring electric charge and status of

vehicles and remote control of vehicle; downloadable software in the nature of vehicle operating system software; solar energy equipment.

Automobiles and structural parts therefor.

Financing relating to automobiles; solar panel financing.

Providing maintenance and repair services for automobiles; providing installation, maintenance and repair services for solar panels and other energy generation equipment and apparatus; consultation in the field of energy efficiency; monitoring of solar panels and energy efficiency.

Alcoholic beverages; spirits; tequila.

Provision of food and drink.

14. The gist of Tesla's case under this heading is that:

- (1) It has acquired valuable goodwill and reputation in relation to the goods/services listed above;
- (2) This includes TESLA-branded tequila, which was first announced via Twitter in April 2018 and has since been sold globally;
- (3) It also includes 'anticipatory' goodwill in relation to restaurant services and the provision of food and drink;
- (4) This 'anticipatory' goodwill is the result of a tweet by Elon Musk (Tesla's CEO) in January 2018 stating Tesla's intention to open a restaurant under the TESLA sign, and subsequent related press reports;
- (5) Mr Ali's trade mark is highly similar to the earlier IR;
- (6) Use of trade mark 3486517 in relation to the specified services in class 43 would constitute a misrepresentation to the public that the user of the mark is, or is authorised by, Tesla;
- (7) This would damage Tesla's goodwill through loss of sales and damage to Tesla's reputation;

- (8) The potential for damage to Tesla's goodwill is compounded by Mr Ali's purported intention (stated in the notices of opposition to Tesla's IRs in class 43) to *"build his brand and offer franchises all over the UK."*

15. Tesla further claims that registration of trade mark 3486517 was contrary to section 3(6) of the Act, which provides for trade mark applications made in bad faith to be refused. According to Tesla, Mr Ali either filed the application with an intention to use the TESLA CHICKEN & PIZZA to free-ride on the coat-tails, reputation and fame of the TESLA sign, or to block its entry into the restaurant market, and ultimately to unfairly extract financial consideration for handing the mark over. In this connection, Tesla claims that in communications between the parties following Mr Ali's oppositions, he offered to sell trade mark 3486517 to Tesla for a very large sum of money.

16. A counterstatement was filed on behalf of Mr Ali denying the grounds for invalidating trade mark 3486517. I note, in particular, that:

(1) Mr Ali accepted that TESLA has a reputation and is well known in the UK in respect of electric motor vehicles;

(2) It was denied that the earlier IR has a reputation, or that Tesla owns any goodwill under that name, for any other goods/services;

(3) Mr Ali put Tesla to proof of use of the earlier IR (and earlier IR1222761);

(4) Whilst it was admitted that trade mark 3486517 is similar to the word TESLA alone, it was denied that there is any similarity between electric cars and restaurant, take-away services etc. in class 43 for which Mr Ali's mark is registered;

(5) It was therefore denied that use of trade mark 3486517 would constitute a misrepresentation or damage Tesla's goodwill;

(6) It was denied that the application to register trade mark 3486517 was filed with the intention to benefit from the reputation and fame of the TESLA mark

for electric cars; such a reputation was said to bring no obvious benefit to a fast food business;

(7) It was denied that the trade mark was filed to block Tesla's entry into the restaurant market and to extract payment for the mark;

(8) It was pointed out that TESLA is the surname of Nikola Tesla, a Serbian-American inventor, and was not, therefore, coined by Tesla.

17. Both sides seek an award of costs.

## **REPRESENTATION**

18. Mr Ali is represented by Wilson Gunn. Tesla is represented by Burges Salmon LLP. A (remote) hearing took place on 20<sup>th</sup> October 2023 at which Mr Andrew Marsden of Wilson Gunn represented Mr Ali. Ms Victoria Jones appeared as counsel for Tesla.

## **THE EVIDENCE**

19. Tesla's evidence consists of witness statements by Ms Emily Lough and Ms Annabel Hanratty.

20. Ms Lough is Associate General Counsel of Tesla, Inc. The main purpose of Ms Lough's evidence is to provide proof of use of the earlier IR, and to show that TESLA has the goodwill and reputation it claims, including goodwill in relation to tequila and planned restaurant services.

21. Ms Hanratty is a senior trade mark attorney at Burges Salmon. The main purposes of Ms Hanratty's evidence is to show that:

(1) Mr Ali is familiar with the trade mark system, having applied to register six other trade marks over a number of years;

(2) he runs a fast food takeaway business in Bury called Colorado's Fried Chicken;



(3) he is interested in Elon Musk/Tesla because he has made comments about both in posts on Facebook, including that Mr Musk is the richest person in the world;

(4) he has asked for a large sum of money to sell trade mark 3486517 to Tesla;

(5) Tesla is widely reported in the media, including its network of electric charging locations, has won awards in the car sector, including Best Overall Luxury Brand (2019)<sup>1</sup> and Car of the Year (2020), and that the website autoevolution.com reported in 2018 that “*A Tesla Restaurant is Actually Happening.*” (in Santa Monica, California)

22. Mr Ali’s evidence consists of a short witness statement by his trade mark attorney, Mr Marsden. This provides information about a UK trade mark registration held by a third party for TESLA HOTELS in class 43, and how a tweet Elon Musk once made about buying Manchester United turned out to be a joke (the inference being that Mr Musk’s tweet about opening Tesla restaurants might also have been a joke).

23. Mr Ali himself gave no evidence.

#### **CONFIDENTIALITY OF AN EXHIBIT AH4 TO MS HANRATTY’S STATEMENT**

24. This is an email dated 9<sup>th</sup> May 2022 from solicitors acting for Mr Ali to Tesla. It was sent following Mr Ali’s oppositions to Tesla’s IRs, and in response to an offer from Tesla to purchase trade mark 3486517 for £750. The email made a counter offer to sell the trade mark for a much larger sum. Although the document was not marked ‘without prejudice’, the IPO caseworker identified it (correctly) as potentially subject to the without prejudice rule under which communications forming part of a genuine attempt to settle litigation may not be used in proceedings. When asked, Mr Ali’s representatives agreed that the communication was covered by the rule and, therefore, should not be admitted as evidence. Tesla disputed the document was covered by the rule.

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<sup>1</sup> See exhibit AH09

25. Ms Jones drew my attention to The Honourable Mrs Justice Andrews DBE's summary of the relevant law in *Willers And Joyce*.<sup>2</sup> I will follow that guidance. There cannot be much doubt that the communications at issue were intended to settle the dispute. The real question is whether they constituted genuine negotiations (as Mr Ali would have it) or 'unambiguous impropriety' on Mr Ali's part (as Tesla claims). The relevant exceptions to the without prejudice rule were described in *Willers And Joyce* as follows:

*"35. References in the authorities to exceptions arising "where the justice of the case demands it" (or similar expressions) do not mean that the Court has a general discretion to disapply the rule in any particular case if it considers it is just and equitable to do so (see in this regard the observations of Lord Neuberger in Ofulue<sup>3</sup> at [103]). On the contrary, there must be a principled basis for the exception, preferably one which is consistent with the policy justification for the rule.*

*36. However, an exception may be justified on the basis of an inconsistent, but overriding, public policy principle. Perhaps the best example of this is the exception that allows the evidence to be used to prove perjury, blackmail or other unambiguous impropriety (e.g. fraudulent misrepresentation), the fourth in Robert Walker LJ's list in Unilever.<sup>4</sup> The prospect of being sued or prosecuted might be regarded as a considerable disincentive to speak freely. However, in cases where this exception applies, the general protection afforded to the parties in order to encourage them to settle gives way to the higher public interest in ensuring that the rule is not used as a vehicle to work injustice by precluding the calling of evidence that would prove impropriety.*

26. At a case management conference held on 21<sup>st</sup> April 2023, I decided that my evaluation of the status of the document at issue should be made after Mr Ali had his chance to file evidence responding to Tesla's evidence, including exhibit AH4. This was because I thought it would be helpful to decide whether the large sum Mr Ali had

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<sup>2</sup> [2019] EWHC 937 (Ch)

<sup>3</sup> *Ofulue v Bossert* [2009] AC 990

<sup>4</sup> *Unilever plc v The Proctor & Gamble Co* [2000] 1 WLR 2436 per Robert Walker LJ at 2442

asked for the transfer of the trade mark indicated ‘unambiguous impropriety’ on his part, only after being informed about his commercial plans for the mark and, possibly, the sum he has invested in them. As it turned out, Mr Ali chose not to give evidence. Therefore, I have only the chronology of events and the size of the sum itself to guide me as to whether the document at issue was part of genuine commercial negotiations or behaviour akin to attempted extortion.

27. At the substantive hearing, Mr Marsden pointed out that Mr Ali had not approached Tesla when his mark was registered, as might be expected if this was all about extracting consideration from Tesla, but only after Tesla had first offered to purchase the mark for £750. Further, the value of a trade mark might vary depending on who is involved. Tesla is a massive corporation. Therefore, the value of the trade mark to Tesla might be much more than it would be to a smaller business.

28. Ms Jones submitted that the timing of events supported her client’s case. She pointed out that Mr Ali initiated the proceedings by opposing her client’s IRs in class 43. There is no evidence that he has used trade mark 3486517 in trade. Therefore, the offer to buy it for £750 represented a fair commercial offer to cover the administrative cost of transferring ownership of an unused mark to Tesla. The counter offer - to sell it for £750k - was well in excess of anything that could be considered a normal commercial offer to sell an unused trade mark.

29. I prefer Ms Jones’ submissions to those of Mr Marsden. For this reason, and the objective circumstances described below which Tesla relies on to establish a *prima facie* case of bad faith, I find the document at issue was not part of genuine settlement negotiations. Rather, it reflected behaviour constituting unambiguous impropriety on Mr Ali’s part. Consequently, the document is not covered by the without prejudice rule and is admitted as evidence.

### **THE PASSING OFF RIGHT GROUND FOR INVALIDATION OF TRADE MARK 3486517**

30. It is convenient to start by considering Tesla’s section 5(4)(a) ground for invalidation based on its claimed passing off right against Mr Ali. This must be assessed on the date he applied to register trade mark 3486517, i.e. 3<sup>rd</sup> May 2020 (“the relevant date”).

31. The essential requirements of the law of passing off are well established and not in dispute. Essentially, Tesla must satisfy me that:

(1) It had goodwill in the UK under TESLA by the relevant date in relation to the goods/services it claims;

(2) Use of Mr Ali's mark in relation to the class 43 services for which it is registered would constitute a misrepresentation to the public that the user of that mark is, or is connected to, Tesla leading to deception or a likelihood of deception; and

(3) Substantial damage would be done to Tesla's goodwill as a result of the misrepresentation.

32. I remind myself that Tesla's pleaded case is that it has acquired goodwill in the UK under TESLA in relation to:

Batteries to supply electric power to motors for electric vehicles; wall-mounted electric power connector to charge electric automobiles; mobile plug-in electric power connector to charge electric automobiles; downloadable software in the nature of a mobile application for monitoring electric charge and status of vehicles and remote control of vehicle; downloadable software in the nature of vehicle operating system software; solar energy equipment.

Automobiles and structural parts therefor.

Financing relating to automobiles; solar panel financing.

Providing maintenance and repair services for automobiles; providing installation, maintenance and repair services for solar panels and other energy generation equipment and apparatus; consultation in the field of energy efficiency; monitoring of solar panels and energy efficiency.

Alcoholic beverages; spirits; tequila.

Provision of food and drink.

33. Mr Ali accepts that Tesla has acquired substantial reputation and goodwill for electric motor vehicles. Consequently, there is no need to examine the evidence going to this. So far as the other goods/services for which goodwill is claimed are concerned, I note that in *Starbucks (HK) Limited and Another v British Sky Broadcasting Group Plc & Others*.<sup>5</sup> Lord Neuberger (with whom the rest of Supreme Court agreed) stated that:<sup>6</sup>

*“I consider that we should reaffirm that the law is that a claimant in a passing off claim must establish that it has actual goodwill in this jurisdiction, and that such goodwill involves the presence of clients or customers in the jurisdiction for the products or services in question. And, where the claimant’s business is abroad, people who are in the jurisdiction, but who are not customers of the claimant in the jurisdiction, will not do, even if they are customers of the claimant when they go abroad.”*

And later said, at paragraph 52:

*“As to what amounts to a sufficient business to amount to goodwill, it seems clear that mere reputation is not enough, as the cases cited..... above establish. The claimant must show that it has a significant goodwill, in the form of customers, in the jurisdiction, but it is not necessary that the claimant actually has an establishment or office in this country. In order to establish goodwill, the claimant must have customers within the jurisdiction, as opposed to people in the jurisdiction who happen to be customers elsewhere.”*

And also said, at paragraph 66 of the judgment:

*“Finally, a point which I would leave open is that discussed in the judgment of Sundaresh Menon CJ in Staywell (see para 46 above), namely whether a passing off claim can be brought by a claimant who has not yet attracted goodwill in the UK, but has launched a substantial advertising campaign within the UK making it clear that it will imminently be marketing its goods or*

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<sup>5</sup> [2015] UKSC 31

<sup>6</sup> At paragraph 47 of the judgment

*services in the UK under the mark in question. It may be that such a conclusion would not so much be an exception, as an extension, to the “hard line”, in that public advertising with an actual and publicised imminent intention to market, coupled with a reputation thereby established may be sufficient to generate a protectable goodwill. On any view, the conclusion would involve overruling Maxwell v Hogg, and, if it would be an exception rather than an extension to the “hard line”, it would have to be justified by commercial fairness rather than principle. However, it is unnecessary to rule on the point, which, as explained in para 46, has some limited support in this jurisdiction and clear support in Singapore.”*

34. *Maxwell v Hogg*<sup>7</sup> is an old case in which the Court of Appeal held that pre-trading advertising was insufficient to create actionable goodwill. It is noteworthy that the Supreme Court treated this case as still representing the law. Pre-launch publicity appears to have been accepted as sufficient to create an actionable goodwill in the later cases of *Allen v Brown Watson*<sup>8</sup> and *BBC v Talbot*.<sup>9</sup> However, the plaintiffs in those cases had long traded in the UK in the goods/services at issue and had associated goodwill in their businesses. The real issue was whether their new marks had become distinctive of those existing businesses to their UK customers through advertising alone. Until the law is clarified, it is therefore doubtful whether a business with no UK customers for its goods/services can establish a passing off right based solely on advertising those goods/services ahead of an imminent launch in the UK market.<sup>10</sup> It is absolutely clear that advertising under a mark is not sufficient to create an actionable goodwill where there was no imminent prospect of trade commencing.<sup>11</sup>

## **Goodwill**

35. It is against this background that I first examine Tesla’s claims to have acquired goodwill in the UK in relation to a trade in tequila, and publicised plans to establish TESLA restaurants. Ms Lough says that Tesla entered into a brand licensing deal for

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<sup>7</sup> (1867) L.R. 2 Ch. 307 (LJJ)

<sup>8</sup> [1965] RPC 191

<sup>9</sup> [1981] FSR 228

<sup>10</sup> See the decision of the Appointed Person in *Nuanti Ltd v Google Inc.* [2019] ETMR 5

<sup>11</sup> *Bernadin (Alain) et Cie v Pavilion Properties Ltd.* [1967] RPC 581

a TESLA-branded tequila. Remarkably, she does not say when or with whom. Instead, she exhibits a screen shot of a tweet dated 12<sup>th</sup> October 2018<sup>12</sup> by Elon Musk stating “*Teslaquila coming soon... .*” Ms Lough continues that “*the Tesla tequila product was sold in late 2020.*” She does not say where. However, the answer to that is revealed by exhibit EL10 to her statement. This consists of press articles, including one published in the UK in The Sun newspaper on 6<sup>th</sup> November 2020. It reports that Tesla tequila “*quickly flew off the virtual shelf*” at \$250 a bottle, after going on sale on the company’s website (tesla.com). Later in the same report it says that, according to Tesla’s website, the product would only be available in selected US States, including New York, Washington and California. So not only did these sales start after the relevant date, but the goods appear to have been aimed at customers in certain States of the USA. This is a million miles from Mr Musk’s tweet in 2018 constituting advertising a product in the UK which was about to be launched here. I therefore reject Tesla’s claim that its UK goodwill at the relevant date extended to a trade in tequila.

36. The evidence of Tesla’s goodwill in the UK extending to restaurants is, if possible, even more hopeless. It consist of a tweet by Elon Musk on 7<sup>th</sup> January 2018 stating that he was “*Gonna put an old school drive-in, roller skates & rock restaurant at one of the new Tesla Supercharger locations in LA.*” According to Ms Lough, the flagship Tesla diner in Los Angeles “*will be*” a restaurant where TESLA owners can dine whilst their vehicles are recharged. The commercial rationale for such a venture is obvious. And it is fair to acknowledge that the plan has received more recent press coverage (mostly, although not exclusively, in the USA). However, there is no evidence that, despite Mr Musk’s tweet almost six years ago, such a restaurant yet exists. When I put it to Ms Jones that the effect of her submission, if correct, would be that a single tweet from Mr Musk that he was thinking of selling something (assuming, I suppose, it does not later turn out to have been a joke) would be enough to create protectable world-wide rights, she did not shy away from that proposition. I find that a surprising submission. It is plainly wrong. There is no basis in law for Tesla’s submission that Mr Musk’s tweet created a protectable ‘anticipatory’ goodwill in a prospective restaurant business in the UK.

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<sup>12</sup> See exhibit EL09

37. Ms Lough says that “*batteries and related products*” have been sold in the UK under the TESLA mark for many years. She explains that these goods are sold “*as part of a broader package with automobiles from our Tesla stores throughout the UK.*” In keeping with this description, the turnover figures provided for UK sales of TESLA products do not distinguish between automobiles, batteries or maintenance and servicing, all of which are provided (with Tesla’s consent) by its UK subsidiary, Tesla Motors Ltd. As one would expect, the composite figures are huge; more than £1 billion in 2020. It is fair to say that the evidence of UK sales of batteries (other than as part of an electric car) and maintenance/servicing, is thin. On the other hand, it seems self-evident that a company selling popular electric cars is bound to provide repair and maintenance services for its vehicles. Every major manufacturer does. And in the case of electric vehicles, customers are bound to be able to get replacement batteries for their cars from the manufacturer. I therefore accept that Tesla’s UK goodwill extends to *batteries to supply electric power to motors for electric vehicles and maintenance and repair services for automobiles.*

38. Ms Lough’s evidence indicates that Tesla provides financing services for its vehicles through a UK subsidiary called Tesla Financing Services Ltd. The sales figures are much smaller (£880k in 2020), but still significant. I accept that Tesla’s goodwill extended to these services too.

39. As indicated above, the parties disagree about whether Tesla’s goodwill is for electric cars (as Mr Ali would have it) or just cars (as Tesla claims). I doubt it matters, particularly as the core of Tesla’s case is based on its reputation for electric cars and other facts related to such vehicles. However, for the record, I accept that Tesla’s goodwill and reputation extends to cars as such. This is borne out by the fact it was awarded the Car of the Year (by Parker’s in 2020).

40. There is no solid evidence that Tesla’s goodwill extends to the other goods/services specified in support of its section 5(4)(a) ground.



## Misrepresentation

41. As stated by Lord Oliver of Aylmerton in *Reckitt & Colman Products Ltd. v. Borden Inc.*<sup>13</sup> the question on the issue of deception is whether it is:

*“... on a balance of probabilities, likely that, if the appellants are not restrained..., a substantial number of members of the public will be misled into purchasing the defendants' [product or service] in the belief that it is the respondents' [product or service]”*

42. In *Phones 4U Ltd v Phone 4U.co.uk Internet Ltd*,<sup>14</sup> Jacob L.J. stressed that merely being caused to wonder whether the parties are connected is not sufficient for passing off. He concluded:

*“This of course is a question of degree – there will be some mere wonderers and some assumers – there will normally be passing off if there is a substantial number of the latter even if there is also a substantial number of the former.”*

43. In *Harrods Limited v Harrodian School Limited*,<sup>15</sup> Millet L.J. made the following findings about the lack of a requirement for the parties to operate in a common field of activity, and about the additional burden of establishing misrepresentation and damage when they do not:

*“There is no requirement that the defendant should be carrying on a business which competes with that of the plaintiff or which would compete with any natural extension of the plaintiff's business. The expression “common field of activity” was coined by Wynn-Parry J. in *McCulloch v. May* (1948) 65 R.P.C. 58, when he dismissed the plaintiff's claim for want of this factor. This was contrary to numerous previous authorities (see, for example, *Eastman Photographic Materials Co. Ltd. v. John Griffiths Cycle Corporation Ltd.* (1898) 15 R.P.C. 105 (cameras and bicycles); *Walter v. Ashton* [1902] 2 Ch. 282 (*The Times* newspaper and bicycles) and is now discredited. In the*

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<sup>13</sup> [1990] R.P.C. 341 at page 407

<sup>14</sup> [2007] RPC 5 at 16–17

<sup>15</sup> [1996] RPC 697 (CA)

*Advocaat case Lord Diplock expressly recognised that an action for passing off would lie although “the plaintiff and the defendant were not competing traders in the same line of business”. In the Lego case Falconer J. acted on evidence that the public had been deceived into thinking that the plaintiffs, who were manufacturers of plastic toy construction kits, had diversified into the manufacture of plastic irrigation equipment for the domestic garden. What the plaintiff in an action for passing off must prove is not the existence of a common field of activity but likely confusion among the common customers of the parties.*

*The absence of a common field of activity, therefore, is not fatal; but it is not irrelevant either. In deciding whether there is a likelihood of confusion, it is an important and highly relevant consideration:*

*...whether there is any kind of association, or could be in the minds of the public any kind of association, between the field of activities of the plaintiff and the field of activities of the defendant.”<sup>16</sup>*

44. As to the nature of the required association or connection, Millett L.J. (with whom Beldam L.J. agreed) stated that:

*“In my judgment the relevant connection must be one by which the plaintiffs would be taken by the public to have made themselves responsible for the quality of the defendant's goods or services.”*

45. I have taken all these points into account in reaching my finding on misrepresentation.

46. It is common ground that **TESLA** and **TESLA CHICKEN & PIZZA** are similar marks. I find they are highly similar. The only distinguishing matter - CHICKEN & PIZZA – is self-evidently descriptive of a type, or two types, of takeaway services and fast food restaurants. The distinctive element of both marks – TESLA – is the same.

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<sup>16</sup> *Annabel's (Berkeley Square) Ltd. v. G. Schock (trading as Annabel's Escort Agency)* [1972] R.P.C. 838 at page 844 per Russell L.J.

47. It is also common ground that TESLA is well-known as a trade mark for electric cars.

48. There is no evidence of anyone else using TESLA as a trade mark.

49. Mr Marsden points out that Tesla is actually the surname of Nikola Tesla, a Serbian-American inventor. Therefore, it is not a name coined by Tesla. This is irrelevant for two reasons. Firstly, there is no evidence that compels me to accept as a notorious fact that Tesla is a foreign surname, or that the Serbian-American inventor Nikola Tesla is well-known. Secondly, even if I am wrong about that, the public's knowledge of Nikola Tesla would not prevent them from regarding TESLA as a very distinctive trade mark.

48. Fast food/drinks and electric cars are sold to the same people – the general public – who will pay an average or 'normal' degree of attention when selecting food/drink services. I accept there is no similarity between Mr Ali's services and electric cars, or with any of the other goods/services to which I have found that TESLA's goodwill extends. On the face of things, one would think the parties operate in quite different fields of economic activity.

49. However, electric cars require recharging and, unlike petrol or diesel cars, this can take some time. According to Ms Lough, Tesla has a dedicated network of TESLA charging stations for its customers, including those in the UK. Ms Hanratty exhibits an article from the Guardian dated 18<sup>th</sup> May 2019 which describes there being 51 TESLA supercharger locations throughout the UK at that time, as well as a wider network of 'destination chargers'.<sup>17</sup> Oddly, Tesla has not specifically relied on the goodwill generated through the provision of such recharging services. There was some discussion at the hearing (which I initiated) as to whether such services fell within the pleaded term 'maintenance' services. After consideration, I do not consider recharging services naturally fall within that description. Pleadings must be clear so that the other side understand the case they are being asked to meet. This means that Tesla cannot rely on this aspect of its goodwill and reputation for present purposes. However, I can and do take judicial notice of these notorious facts:

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<sup>17</sup> See exhibit AH11

- (1) electric car recharging stations are commonplace;
- (2) owners of electric cars have to wait while their cars are recharged;
- (3) this takes longer, sometimes much longer, than re-fuelling a petrol or diesel car.

50. It therefore makes obvious commercial sense to provide services supplying food and drink at, or around, recharging locations so that users can take refreshments whilst waiting for their electric cars to recharge. Consequently, it would not be surprising, if a significant section of the public assumed that services offered under the name of a well-known seller of electric cars providing food/drink in the vicinity of an electric car recharging station were somehow connected with the car maker. At the hearing, I asked Mr Marsden why the public would not make such a connection. His answer was, essentially, that electric cars and the provision of food/drink are so different that the public would not expect Tesla to extend its trade to the latter. I see the force of this submission. I doubt that many would think that Tesla itself would provide food/drink services, except perhaps at its own retail and maintenance outlets. However, this argument overlooks the potential for licensing or franchising of the TESLA brand to parties who trade in food/drink services, which seems far more likely. Mr Ali clearly recognises the potential for franchising a brand: his notices of opposition to Tesla's applications state that he intends to offer TESLA CHICKEN & PIZZA franchises "*all over the UK.*"

51. In my view, it is likely that on seeing a TESLA CHICKEN & PIZZA restaurant or takeaway operating, particularly in the vicinity of an electric car recharging station, a substantial number of Tesla's customers or potential customers would assume that the operator was economically connected to Tesla, probably through a licence or franchise arrangement. Consequently, they would expect Tesla to have made itself ultimately responsible for the quality of the services provided. Mr Ali's use of TESLA CHICKEN & PIZZA in the vicinity of one or more of the many electric car recharging stations throughout the UK would represent normal and fair use of the mark and fall within the scope of his registration. Consequently, I find that his use of the mark at the relevant date would have constituted a misrepresentation to the public that his services were economically connected with Tesla.

## **Damage**

52. I am satisfied that Mr Ali's use of TESLA CHICKEN & PIZZA in relation to the class 43 services covered by his registration would damage Tesla's goodwill in at least two ways. Firstly, it would result in Tesla losing control of its reputation. If the franchises Mr Ali purports to intend to establish offer low quality food and drinks, or poor customer service, and customers believe that Tesla is ultimately responsible for these businesses, this will inevitably impact on Tesla's good name. As Tesla has recognised by establishing a network of recharging stations, the attractiveness of an electric car depends on more than just the quality of the vehicle itself. It also depends on the quality and convenience of the post-sale support services. If what are perceived as part of Tesla's post-sale services are of a noticeably lower standard than the vehicles, there is a real risk that the attractiveness of the TESLA brand will be diminished, and Tesla will sell fewer cars. Secondly, because the establishment of food/drink services at electric car recharging stations is a commercially logical development of Tesla's existing business, Tesla's inability to franchise or licence such rights constitutes a relevant loss of potential income.<sup>18</sup>

## **Conclusion**

53. The ground of invalidation based on section 5(4)(a) of the Act succeeds.

## **THE SECTION 5(3) GROUND**

### **Proof of use of the earlier IR**

54. Tesla has been put to proof of the earlier IR. The relevant periods identified in section 47(2B)(a) of the Act are:

(1) 15<sup>th</sup> September 2017 to 14<sup>th</sup> September 2022; and

(2) 4<sup>th</sup> May 2015 to 3<sup>rd</sup> May 2020.

55. Tesla claims to have used the earlier IR in relation to:

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<sup>18</sup> See *Lego System A/S v Lego Lemelsrich Ltd* [1983] FSR 155 at 193 – 195.

Class 9: Batteries to supply electric power to motors for electric vehicles; wall-mounted electric power connector to charge electric automobiles; mobile plug-in electric power connector to charge electric automobiles; downloadable software in the nature of a mobile application for monitoring electric charge and status of vehicles and remote control of vehicle; downloadable software in the nature of vehicle operating system software.

Class 12: Automobiles and structural parts therefor.

Class 36: Financing relating to automobiles.

Class 37: Providing maintenance and repair services for automobiles.

56. Applying the guidance provided by Arnold J (as he then was) in *Walton International Ltd & Anor v Verweij Fashion BV*<sup>19</sup> to the evidence before me, I find that the earlier IR was put to genuine use during the relevant periods in relation to, at least, the following goods/services:

Class 9: Batteries to supply electric power to motors for electric vehicles;

Class 12: Automobiles and structural parts therefor;

Class 36: Financing relating to automobiles;

Class 37: Providing maintenance and repair services for automobiles.

57. Tesla's pleaded section 5(3) case is that use of TESLA CHICKEN & PIZZA would cause consumers to believe that the services provided under the mark are authorised or connected with Tesla. My findings under section 5(4)(a) have effectively decided this aspect of Tesla's section 5(3) case in its favour.

58. The remainder of Tesla's pleaded case is as follows:

Unfair advantage

*"Use of the Registrant's Mark by the Registrant would ride on the coat-tails of the reputation and the power of attraction of the Earlier Mark, including taking*

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<sup>19</sup> [2018] EWHC 1608 (Ch)

*unfair advantage of the significant investment Tesla has made in the Earlier Mark, without any form of compensation to Tesla.”*

Detriment to reputation

*“The Earlier Mark is renowned in the UK (and elsewhere). It enjoys a very significant reputation in respect of the goods and services for which it is registered, and represents quality, innovation and consistency in terms of the goods and services on which consumers rely. The image and reputation of the Earlier Mark would be damaged if the Registrant offered any goods and/or services that could be seen to be linked to and/or endorsed by Tesla, and if these goods or services were of an inferior quality or nature this would clearly have a significant detrimental impact on the image and power of attraction of the Earlier Mark. Tesla would have no control of the quality of the Registrant’s services, and the trust gained by Tesla amongst relevant consumers would be tarnished if the services of the Registrant did not meet the same high standards that consumers expect from and associate with Tesla.”*

Detriment to distinctive character

*“The capacity of the TESLA mark to arouse immediate association with the Tesla business would be diminished by the use of the Registration. It follows that there is a clear probability of damage to the Earlier Mark’s origin and advertising functions as a vehicle for building up and retaining brand loyalty.”*

59. Although the UK has left the EU, section 6(3)(a) of the European Union (Withdrawal) Act 2018 requires tribunals to apply EU-derived national law in accordance with EU law as it stood at the end of the transition period. The provisions of the Act relied upon in these proceedings are derived from an EU Directive. That is why this decision continues to refer to the case law of the EU courts. The relevant case law can be found in the following judgments of the CJEU: Case C-375/97, *General Motors*, Case 252/07, *Intel*, Case C-408/01, *Adidas-Salomon*, Case C-487/07, *L’Oreal v Bellure* and Case C-323/09, *Marks and Spencer v Interflora*, and Case C-383/12P, *Environmental Manufacturing LLP v OHIM*. The law appears to be as follows:

(a) The reputation of a trade mark must be established in relation to the relevant section of the public as regards the goods or services for which the mark is registered; *General Motors, paragraph 24*.

(b) The trade mark for which protection is sought must be known by a significant part of that relevant public; *General Motors, paragraph 26*.

(c) It is necessary for the public when confronted with the later mark to make a link with the earlier reputed mark, which is the case where the public calls the earlier mark to mind; *Adidas Saloman, paragraph 29* and *Intel, paragraph 63*.

(d) Whether such a link exists must be assessed globally taking account of all relevant factors, including the degree of similarity between the respective marks and between the goods/services, the extent of the overlap between the relevant consumers for those goods/services, the strength of the earlier mark's reputation and distinctive character, and whether there is a likelihood of confusion; *Intel, paragraph 42*

(e) Where a link is established, the owner of the earlier mark must also establish the existence of one or more of the types of injury set out in the section, or there is a serious likelihood that such an injury will occur in the future; *Intel, paragraph 68*; whether this is the case must also be assessed globally, taking account of all relevant factors; *Intel, paragraph 79*.

(f) Detriment to the distinctive character of the earlier mark occurs when the mark's ability to identify the goods/services for which it is registered is weakened as a result of the use of the later mark, and requires evidence of a change in the economic behaviour of the average consumer of the goods/services for which the earlier mark is registered, or a serious risk that this will happen in future; *Intel, paragraphs 76 and 77* and *Environmental Manufacturing, paragraph 34*.



(g) The more unique the earlier mark appears, the greater the likelihood that the use of a later identical or similar mark will be detrimental to its distinctive character; *Intel, paragraph 74*.

(h) Detriment to the reputation of the earlier mark is caused when goods or services for which the later mark is used may be perceived by the public in such a way that the power of attraction of the earlier mark is reduced, and occurs particularly where the goods or services offered under the later mark have a characteristic or quality which is liable to have a negative impact of the earlier mark; *L'Oreal v Bellure NV, paragraph 40*.

(i) The advantage arising from the use by a third party of a sign similar to a mark with a reputation is an unfair advantage where it seeks to ride on the coat-tails of the senior mark in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image. This covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation (*Marks and Spencer v Interflora, paragraph 74 and the court's answer to question 1 in L'Oreal v Bellure*).

## **Relevant date**

60. Section 47(2G) and (2H) of the Act are as follows:

*“(2G) An application for a declaration of invalidity on the basis of an earlier trade mark must be refused if it would have been refused, for any of the reasons set out in subsection (2H), had the application for the declaration been made on the date of filing of the application for registration of the later trade mark or (where applicable) the date of the priority claimed in respect of that application.*

*(2H) The reasons referred to in subsection (2G) are—*

*(a) –*

(b) -

*(c) that the application for a declaration of invalidity is based on section 5(3)(a) and the earlier trade mark had not yet acquired a reputation within the meaning of section 5(3)."*

61. This means that the relevant date for assessing Tesla's section 5(3) ground is 3<sup>rd</sup> May 2020.

### **Reputation**

62. It is common ground that TESLA has a strong reputation for electric cars. I find that it had a qualifying reputation at the relevant date for the goods/services listed in paragraph 56 above.

### **Link**

63. By the time of the substantive hearing, Mr Ali accepted (correctly in my view) that use of TESLA CHICKEN & PIZZA in relation to the class 43 services specified in his application would create a link in the minds of the relevant public (being the general public) with the well-known TESLA mark for electric cars.

### **Unfair Advantage**

64. Tesla's pleaded case relies on the reputation of the earlier mark for "*quality, innovation and consistency.*" I have already noted that Tesla was awarded the 'Best Overall Luxury Brand' award in 2019 and 'Car of the Year' in 2020. Ms Lough's evidence also includes an article from Business Car dated 26<sup>th</sup> January 2016 recording that the TESLA MODEL S won its Luxury Award that year.<sup>20</sup> The article continues:

*"With its zero emissions, the Tesla Model S is an impressive proposition on paper, but it's even more impressive in reality, especially now that Tesla's supercharger network peppers most of Western Europe, with more than 30 sites across the UK."*

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<sup>20</sup> See exhibit EL08

65. I also note that Auto Express awarded TESLA its Driver Power Award in 2016.<sup>21</sup>

The article continues:

*“Debuts don’t get much better than Tesla’s first appearance in our Driver Power satisfaction survey. The pioneering manufacturer of electric cars took our annual poll by storm in 2016, with owners placing the brand top of the pile thanks to a quite remarkable satisfaction rating of nearly 98%.”*

66. The evidence therefore bears out Tesla’s claim that its cars have a high reputation for “*quality, innovation and consistency.*” In my view, the use of TESLA CHICKEN & PIZZA in relation to the class 43 services specified in Mr Ali’s application would gain a commercial advantage from TESLA’s reputation by transferring and projecting the same qualities and characteristics onto his food and drink services. This would increase the attractiveness of the services offered to consumers under Mr Ali’s mark, without providing Tesla with any form of compensation for its investment in building the TESLA brand.

67. Mr Ali has not advanced a case of having ‘due cause’ to use the trade mark. Therefore, I find that his use of TESLA CHICKEN & PIZZA in relation to the services specified in his application would, without due cause, take unfair advantage of the reputation of TESLA for electric cars.<sup>22</sup>

### **Detriment to reputation**

68. Ms Jones submitted that the use of TESLA CHICKEN & PIZZA in relation to *Take away food and drink services* and the like was inherently likely to tarnish the image of Tesla’s mark because of the very nature of such services. However, as I pointed out at the hearing, this submission cannot be sustained in circumstances where Tesla has itself applied to protect TESLA in the UK (with an associated statement of intention to use the mark) in relation to, inter alia, *take-out restaurant services*. Therefore, if there is any merit in Tesla’s case under this heading, it can only be in the other part of its

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<sup>21</sup> As Above

<sup>22</sup> Unfair advantage may be inferred where the later trade mark would gain a commercial advantage from the transfer of the image of the earlier trade mark to the later mark: *Claridges Hotel Limited v Claridge Candles Limited and Anor*, [2019] EWHC 2003 (IPEC). It is not necessary for Tesla to show that Mr Ali subjectively intended to take advantage of TESLA’s reputation: *Jack Wills Limited v House of Fraser (Stores) Limited* [2014] EWHC 110 (Ch) at paragraph 80.

case, which is based on the *potential* for Mr Ali's use of TESLA CHICKEN & PIZZA to damage TESLA's reputation because of the quality of the services offered under his mark.

69. In *Unite The Union v The Unite Group Plc*,<sup>23</sup> Ms Anna Carboni, as the Appointed Person, expressed doubts as to whether a link between an earlier mark with a reputation and a later mark with the mere potential to create a negative association because of, inter alia, the potential low quality of its goods/services, was sufficient to found an opposition based on detriment to reputation. However, in that case there was no finding that use of the later mark would cause the public to believe that the goods/services offered under the later mark were economically connected with those for which the earlier mark had a reputation. Rather, the 'link' established by the evidence was only of the 'bringing to mind' type. This type of link is sufficient to require examination of the likelihood of unfair advantage, detriment etc., but the existence of such a link is not necessarily sufficient to prove the existence of any of those conditions.

70. In my view, whilst still not decisive, a finding that there is a link in the nature of a likelihood of confusion as to the trade origin of the goods/services provided under the later trade mark, should make it easier to establish a serious risk of damage to the reputation of the earlier mark. This is because such a link immediately creates some risk of damage, not just to the origin function, but also to the associated quality function, of the reputed trade mark. The importance of different possible degrees of linkage between the marks is recognised in paragraphs 67 and 68 of the CJEU's judgment in *Intel*, where the court pointed out that:

*"67. The more immediately and strongly the earlier mark is brought to mind by the later mark, the greater the likelihood that the current or future use of the later mark is taking unfair advantage of, or is detrimental to, the distinctive character or the repute of the earlier mark.*

*68. It follows that, like the existence of a link between the conflicting marks, the existence of one of the types of injury referred to in Article 4(4)(a) of the*

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<sup>23</sup> Case BL O/219/13

*Directive, or a serious likelihood that such an injury will occur in the future, must be assessed globally, taking into account all factors relevant to the circumstances of the case, which include the criteria listed in paragraph 42 of this judgment.”*

71. The existence of a likelihood of confusion is one of the factors listed in paragraph 42 of the court’s judgment in *Intel*. This, and all the other factors listed in that paragraph, except one, strongly favour Tesla’s case.<sup>24</sup> The only factor which favours Mr Ali’s case is the dissimilarity of the respective goods/services. And as I have explained above, although they are dissimilar, the distance between them is not as great as first appears.

72. I find that in the factual circumstances of this case, the potential for Mr Ali to use TESLA CHICKEN & PIZZA in relation to services in class 43 which the public would regard as being of a different quality to those they would envisage receiving from an undertaking authorised by Tesla, creates a serious risk of damage to the reputation of TESLA for electric cars. This, in turn, is liable to affect the economic behaviour of Tesla’s customers, and potential customers, by reducing the attraction of the TESLA brand and undermining its customer loyalty. Consequently, I also find for Tesla on this aspect of its section 5(3) case.

### **Detriment to distinctive character**

73. I find for Tesla under this heading too. The CJEU stated in *Intel*:

*“The more unique the earlier mark appears, the greater the likelihood that the use of a later identical or similar mark will be detrimental to its distinctive character.”*

74. As noted above, there is no evidence of anyone but Tesla using TESLA as a trade mark in the UK.

75. Detriment to distinctive character also requires evidence of the likelihood of a change in the economic behaviour of Tesla’s customers, and potential customers.

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<sup>24</sup> Summarised at paragraph 59(d) above

However, this can be based on logical deductions from inherent probabilities.<sup>25</sup> If the distinctiveness of the TESLA brand is eroded so that consumers become unclear whether the mark designates the goods/services of one undertaking, which is responsible for their quality, the capacity to exploit the TESLA mark in relation to goods/services that are logical trade extensions for the TESLA brand will be negatively affected, i.e. consumers will be less likely to buy them.

## **Conclusion**

76. For the reasons given above, I find that Tesla's section 5(3) based ground for invalidation also succeeds.

## **THE BAD FAITH GROUND**

### **Bad faith: the case law**

77. In *Sky Limited & Ors v Skykick, UK Ltd & Ors*,<sup>26</sup> the Court of Appeal considered the case law from *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*, Case C-529/07, *Malaysia Dairy Industries Pte. Ltd v Ankenævnetfor Patenter Varemærker* Case C-320/12, *Koton Mağazacılık Tekstil Sanayi ve Ticaret AŞ*, Case C-104/18 P, *Hasbro, Inc. v EUIPO, Kreativni Dogaaji d.o.o. intervening*, Case T-663/19, and *pelicantravel.com s.r.o. v OHIM, Pelikan Vertriebsgesellschaft mbH & Co KG (intervening)*, Case T-136/11. So far as it is relevant to the facts of this case, the court summarised the law as follows:

1. Bad faith is an autonomous concept of EU trade mark law which must be given a uniform interpretation in the EU: *Malaysia Dairy Industries* at [29].
2. The concept of bad faith presupposes the existence of a dishonest state of mind or intention, but dishonesty is to be understood in the context of trade mark law, i.e. the course of trade and having regard to the objectives of the law namely the establishment and functioning of the internal market, contributing to the system of undistorted competition in the Union, in which each undertaking

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<sup>25</sup> See paragraph 42 of the judgment in *Environmental Manufacturing LLP v OHIM*

<sup>26</sup> [2021] EWCA Civ 1121

must, in order to attract and retain customers by the quality of its goods or services, be able to have registered as trade marks signs which enable the consumer, without any possibility of confusion, to distinguish those goods or services from others which have a different origin: *Lindt* at [45]; *Koton Mağazacılık* at [45].

3. The concept of bad faith, so understood, relates to a subjective motivation on the part of the trade mark applicant, namely a dishonest intention or other sinister motive. It involves conduct which departs from accepted standards of ethical behaviour or honest commercial and business practices: *Hasbro* at [41].

4. The date for assessment of bad faith is the time of filing the application: *Lindt* at [35].

5. It is for the party alleging bad faith to prove it: good faith is presumed until the contrary is proved: *Pelikan* at [21] and [40].

6. Where the court or tribunal finds that the objective circumstances of a particular case raise a rebuttable presumption of lack of good faith, it is for the applicant to provide a plausible explanation of the objectives and commercial logic pursued by the application: *Hasbro* at [42].

7. Whether the applicant was acting in bad faith must be the subject of an overall assessment, taking into account all the factors relevant to the particular case: *Lindt* at [37].

8. For that purpose it is necessary to examine the applicant's intention at the time the mark was filed, which is a subjective factor which must be determined by reference to the objective circumstances of the particular case: *Lindt* at [41] – [42].

9. Even where there exist objective indicia pointing towards bad faith, however, it cannot be excluded that the applicant's objective was in pursuit of a legitimate objective, such as excluding copyists: *Lindt* at [49].

10. Bad faith can be established even in cases where no third party is specifically targeted, if the applicant's intention was to obtain the mark for purposes other than those falling within the functions of a trade mark: *Koton Mağazacılık* at [46].

78. To the extent that Tesla's bad faith pleading is that Mr Ali filed his trade mark application with an intention to use the TESLA CHICKEN & PIZZA to free-ride on the coat-tails, reputation and fame of the TESLA sign, it adds nothing of substance to the section 5(3) and 5(4)(a) grounds I have already decided. If I am wrong about the success of those grounds, this aspect of Tesla's bad faith case will not be any more successful. It is therefore unnecessary to say anything more about it.

79. Tesla's alternative basis for its bad faith ground is that Mr Ali filed his application with the intention of blocking Tesla's entry into the restaurant market and, ultimately, to extract consideration from it. In support of this claim Tesla relies on:

(1) The fame of the TESLA mark;

(2) The fact that prior to the filing date of Mr Ali's trade mark application, Tesla had (through Mr Musk) announced via Twitter an intention to introduce a restaurant service, which had been picked up by the media;

(3) Mr Ali's working knowledge of the trade mark registration system.

80. I also bear in mind that TESLA is a very distinctive mark, both inherently and through use. Further, it has no descriptive or allusive qualities which would naturally make it an attractive, or logical, mark to use in relation to restaurant-type services.

81. The evidence indicates that Mr Ali is in the restaurant business. He operates a takeaway restaurant called Colorado Fried Chicken. He was clearly aware of TESLA when he filed his trade mark application on 3<sup>rd</sup> May 2020. Although he appears to have been active on Facebook since 2010, the evidence does not go far enough to establish that Mr Ali follows Tesla on Twitter (now 'X'), or that he is one of Mr Musk's 33 million followers. Nevertheless, I consider that, on the balance of probabilities, it is likely that Mr Ali had seen press reports, or had been told, of Tesla's plans to enter the food/drink



services market, or that he had seen the commercial logic of such a possibility for himself.

82. I do not attach any weight (either way) to the fact that upon securing his registration, Mr Ali did not immediately approach Tesla about it. Rather, he opposed the protection of the IRs when they were published for opposition purposes in early 2022. Mr Ali appears to know how the trade mark system works. His timing is just as consistent with his trade mark application having been filed with an intention to block Tesla's application (when it came) as it is with him having an intention to use the mark himself.

83. I find the above 'objective circumstances', are sufficient, without more, to raise a rebuttable presumption of a lack of good faith. There is more. Mr Ali's offer to sell the unused trade mark to Tesla for the very substantial sum of £750k tends to reinforce the impression created by the 'objective circumstances', that his application was probably filed with the sole intention of extracting consideration from Tesla.

84. In these circumstances, it was for Mr Ali to provide evidence rebutting Tesla's *prima facie* case. He conspicuously failed to give evidence himself, even after I had effectively invited him to file evidence of his plans for TESLA PIZZA & CHICKEN. I was told at the substantive hearing that Tesla's case was considered so weak that it was not considered necessary for Mr Ali to give evidence. In effect, Mr Ali and his advisors appear to have taken the view that there was no case to answer. If that is true, it was a high risk strategy. It has not paid off because, although not conclusive, I do not find Tesla's *prima facie* case weak. And as things stand, I have only Mr Ali's bare denials to balance against it.<sup>27</sup> In these circumstances, I find that Tesla has discharged the burden of proving to the requisite standard in civil proceedings, that Mr Ali filed his trade mark application to block its entry into the UK food/drink services market, and ultimately to extract substantial consideration for transferring ownership of the TESLA CHICKEN & PIZZA mark.

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<sup>27</sup> The statement in Mr Ali's notices of opposition to Tesla's IRs, that he intended to establish a national network of TESLA CHICKEN & PIZZA franchises, was signed by Mr Ali's legal representative at the time. There is no reason to believe that she had first-hand knowledge of Mr Ali's plans.

## **Conclusion**

85. I uphold Tesla's complaint that Mr Ali's trade mark application was filed in bad faith, contrary to section 3(6) of the Act.

## **OVERALL RESULT OF TESLA'S APPLICATION TO INVALIDATE TRADE MARK 3486517**

86. The application succeeds in full. Trade mark 3486517 will be cancelled with effect from 3<sup>rd</sup> May 2020.

## **MR ALI'S OPPOSITIONS 433349 AND 433351 TO IRs 3724593 AND 3724599**

87. As these oppositions are based entirely on Mr Ali's earlier trade mark 3486517, which has ceased to exist, and as section 47(6) of the Act states:

*"Where the registration of a trade mark is declared invalid to any extent, the registration shall to that extent be deemed never to have been made."*

- the basis of the oppositions falls away.

88. Tesla's IRs will therefore be protected in the UK in relation to the services for which protection has been sought in class 43.

## **COSTS**

89. The parties agree that costs should be assessed on the basis of the registrar's published scale of contributory costs. As Tesla has been successful, it is entitled to a contribution towards its costs. I assess these costs as follows:

£400 for considering the Notices of Opposition and Filing Counterstatements;

£200 for the official fee for the Form TM26(1) - Application for Invalidation;

£400 for completing the application for invalidation and considering the Counterstatement;

£1500 for filing evidence and considering the evidence of Mr Marsden;

£1100 for filing a skeleton argument and taking part in the substantive hearing;

£400 for taking part in the case management conference and dealing with correspondence about the admissibility of exhibit AH4.

90. I therefore order Mr Amanj Ali to pay Tesla, Inc. the sum of £4000. This to be paid within 21 days of the end of the period allowed for appeal or, if there is an appeal, within 21 days of the conclusion of the appeal proceedings (subject to any order of the appellate tribunal).

**Dated this 24<sup>th</sup> day of November 2023**

**Allan James**

**For the Registrar**