

O-158-06

**TRADE MARKS ACT 1994**

**IN THE MATTER OF APPLICATION No. 2346130  
IN THE NAME OF CHELSKI LIMITED  
TO REGISTER A TRADE MARK IN CLASSES 24, 32 AND 33**

**AND**

**IN THE MATTER OF OPPOSITION THERETO UNDER No. 92337  
IN THE NAME OF CHELSEA FOOTBALL CLUB LIMITED**

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**IN THE MATTER OF Opposition thereto  
Under No. 92337 in the name of Chelsea Football Club Limited**

### **BACKGROUND**

1. On 16 October 2003, Chelski Limited made an application to register the trade mark CHELSKI in Classes 24, 32 and 33, in relation to the following specifications of goods:

**Class 24:** Bath linen, bed blankets, bed clothes, bed covers, bed covers of paper, bed linen, bed spreads, blankets, coverlets, covers, covers for cushions, eiderdowns, household linen, linen pillow shams, pillow cases, shams, sheets, towels of textile.

**Class 32:** Beers, mineral and aerated waters, fruit drinks, fruit juices, shandy, non-alcoholic beers and wines, de-alcoholised drinks.

**Class 33:** Alcoholic beverages containing more than 1.2% of alcohol by volume, alcoholic beverages containing spirits, alcoholic beverages containing wines, alcoholic cocktails, distilled alcoholic beverages, cocktails based on spirits, cocktails, drinks containing 1.2% of alcohol or more by volume, spirits, vodka, wine, cocktails containing vodka alcohol content exceeding 1.2% by volume.

2. On 2 March 2004, Chelsea Football Club Limited filed notice of opposition to the application, the grounds of opposition being as follows:

**Under Section 5(3)** because the opponents' earlier trade mark is well known in the United Kingdom and is entitled to be protected against registration of the identical trade mark in respect of goods which are similar (Class 24) and dissimilar (Classes 32 and 33).

**Under Section 5(4)(a)** by virtue of the law of passing off.

**Under Section 3(6)** because the application was made in bad faith.

3. The opponents rely on one earlier mark that has a filing date of 21 August 2003, details of which are shown as an annex to this decision.
4. The applicants filed a counterstatement in which they deny the grounds on which the opposition is based.
5. Both sides ask that an award of costs be made in their favour.
6. Both sides filed evidence in these proceedings, which, insofar as it may be relevant to these proceedings I have summarised below. The matter came to be heard on 22 February 2006, when the applicants were represented by Mr Philip Hirst, an employee of Chelski Limited, The opponents were represented by Mr Philip Roberts of counsel, instructed by William A Shepherd, their trade mark attorneys.

### **Opponents' evidence**

7. This consists of a Witness Statement dated 18 October 2004, from Robert James Hawley, a trade mark attorney with William A Shepherd & Son. A significant part of this Statement consists of Mr Hawley's submissions on the relative merits of these proceedings. Whilst I have read and will take these into account in my determination of this case, I do not consider it appropriate to summarise them as evidence.
8. Mr Hawley recounts that in June-July 2003, Mr Roman Abramovich purchased shares in Chelsea Village PLC, the parent company of the opponents and the proprietor company of the Premier League team, Chelsea Football Club. Exhibit RJH1 consists of a copy of a report posted on the News section of the BBC website on 2 July 2003, relating to the purchase. Mr Hawley says the term CHELSKI is an invented word which came into existence in July 2003 as a result of Mr Abramovich becoming involved, and in the following months became widely used by the UK public and media as a reference to Chelsea Football Club and the opponents. Exhibit RJH2 consists of an Internet search conducted on 15 October 2004 for the term CHELSKI. It is apparent from the page numbers that the exhibit is a selection taken from the 22,200 recorded hits. Whilst those exhibited either directly or indirectly refer to Chelsea Football Club, many either cannot be seen to either pre-date the relevant date or cast any light back to that time. One hit, a news report dated 2 July 2003 reports "Chelski?" A Russian tycoon buys Chelsea FC...
9. Mr Hawley says that having recognised the association that had been established between Chelsea FC and CHELSKI, the opponent made the application, and subsequently registered the word, as a trade mark. He refers to the opponents' registrations for other trade marks as evidencing that they have diverse trading interests, and that, not unreasonably would want to use CHELSKI on a broad range of goods and services. Exhibit RJH3 consists of details of the opponents' other registered trade marks, and a print of their merchandise catalogue taken from their website on 15 October 2004. Whilst this shows CHELSKI (and various Chelsea FC marks) being used on merchandise, in the case of CHELSKI, T-shirts, hats and a plush toy bear, there is nothing that indicates that this reflects the position at, or prior to the relevant date. The "Russian" connection can be seen in the style of some hats and that the bear appears to be dressed in Cossack style.

10. Mr Hawley says, that as can be seen from exhibit RJH4, the domain name [www.chelski.com](http://www.chelski.com) was registered by a shareholder in the applicants' company on 2 July 2003, the day on which the media announced that Mr Abramovich was to invest in the opponents' parent company. On 19 July 2003, the company CHELSKI Limited was registered, followed by the filing of the trade mark application on 16 October 2003. Mr Hawley says that the motives for these actions can be seen in Exhibit RJH5, which consists of a letter dated 22 December 2003, sent to Mr Ken Bates, the then Chairman of Chelsea Football Club, offering to sell these rights, or alternatively, enter into a joint venture. He recounts that investigations revealed the existence of other "CHELSKI" name companies, details of which he provides in exhibit RJH6. Mr Hawley refers to another trade mark application for CHELSKI filed by the applicants, details of which are shown as exhibit RJH7.

### **Applicants' evidence**

11. This consists of a Witness Statement dated 21 March 2005, from Robert Gillard, the sole Director of Chelski Limited, a position he has held since July 2003. Mr Gillard describes himself as an entrepreneur of some 25 years standing, going on to list the ventures in which he has been involved.

12. Mr Gillard says that the CHELSKI name originated from Mr Thomas Sloan, a friend and business partner, who picked up the word from news reports on 1 July 2003, and deciding that it would make an excellent brand or product name, proceeded to register it as a domain and company name. Mr Gillard specifically mentions considering the name as a brand for "vodka", which is confirmed by the objects of the company on incorporation, which were stated as "wholesale alcoholic and other drinks". He says that there was no reason for us to "think about Chelsea" when discussing the marketability of CHELSKI, the word being entirely a media invention. Mr Gillard gives reasons for the limited activity in relation to CHELSKI, Exhibit RG1 being correspondence showing that he was engaged in other ventures. He says that between July and September Mr Sloan had discussions with WKD, a manufacturer of vodka based mixer drinks, and as can be seen from correspondence dating from October 2003 (exhibits RG2, RG4 and RG5), efforts were made to source supplies of vodka from Poland. The exhibits also include details taken from the Polish vodka website on 18 March 2005.

13. Mr Gillard says that on 22 August 2003, he organised the printing of business cards for CHELSKI LIMITED, details of which he shows as exhibit RG6. The exhibit consists of photocopies of cards bearing CHELSKI LIMITED and CHELSKI.COM, and a receipt that appears to be for printing cards, none of which can be dated.

14. Mr Gillard recounts that after conducting market research, he commissioned the artwork shown as exhibit RG7, for a drink to be launched as CHELSKI BLUE, with the intention of launching other colours linked to the flavours. The artwork cannot be dated. He states that the decision to register CHELSKI as a trade mark was taken on advice from Turner Little, who conducted a search of the trade marks register, revealing the opponents' registration in Class 25, but nothing else.

15. Mr Gillard gives an account of the formation of Chelski Design Limited and Chelski Food & Wine Limited, the former being intended to produce promotional T-shirts for the vodka business, the latter as the legal entity behind the vodka enterprise. He states that as can be seen from the letter dated 5 November 2003 shown as Exhibit RG8, Richard Gibson, the majority shareholder of Merriman's Brewery agreed that the vodka product could be bottled at his brewery. Whilst the letter does refer to the use of the bottling facilities, there is no mention of this being in relation to a CHELSKI vodka product. The letter dated 27 October 2003 (Exhibit RG9), from Jamie Gibson of Yorpol Packaging Limited, confirms the intention to produce four variants of CHELSKI, mentioning enquiries being made with their agents regarding trade marks, and to "taking matters forward with the T-shirts". Curiously, unlike other letters from Lishman Sidwell Campbell & Price, there is no company name or logo on the letterhead. Mr Gillard says that it would not have been possible to market all four at the same time, and the decision was made to go with CHELSKI BLUE, a blueberry flavoured vodka, for which sample products were made up and tested, Exhibit RG10 being a photograph of the product.

16. Mr Gillard goes on to say that in late September-early October 2003, he had discussions relating to the distribution and sales of CHELSKI vodka with a representative from a company operating in the licensed trade, and a wholesaler who he describes as one of the largest distribution companies for off-licences and free-houses. He says that from these discussions it became clear that to make the product economically viable would require the production of large quantities of the product, that it was not feasible for his company to produce this quantity, and that they would need to consider engaging a distributor, thoughts that he says he communicated to Jamie Gibson in a letter dated 28 October 2003 (exhibit RG11). Mr Gillard recounts that in November 2003 it became apparent to him that the intended market for CHELSKI was dominated by companies that could produce on a massive scale, and that to compete he would need financial backing. This prompted Mr Gillard to write on 2 November 2003, to Les Mason of Lishman Sidwell Campbell & Price detailing his concerns and thoughts.

17. Mr Gillard goes on to explain that the letter of 22 December 2003 that was sent to Ken Bates is not demonstrative of bad faith, it being clear that the letter was sent some two months after the attempts to commercialise the brand. He says that the letter was indicative of the fact that production of the drink had not proved feasible without further investment, and was an enquiry to ascertain whether Chelsea Football Club would be interested in a joint venture or in purchasing the business.

18. Mr Gillard ends his Statement by explaining how the second application to register CHELSKI with the letter "K" reversed came to be made, that the mark subsequently was used in relation to bed linen, and as can be seen from the brochure shown as Exhibit RG13, the use of the colour blue was taken from previous use on a range of bedroom furniture. Although the brochure depicts some items shown in the colour blue, this is not unusual; it also depicts furniture in other colours. There is nothing by which to date the brochure.

## **Opponents' evidence in reply**

19. This consists of a Witness Statement, dated 21 June 2005, from Robert James Hawley. Being evidence in reply it not surprisingly contains Mr Hawley's submission on the applicant's evidence, and on the relative merits of the respective cases. Where information having evidential value has been provided I will summarise it, but will not do so in the case of submissions relating to matters of opinion or interpretation. I will, however, take these submissions fully into account in reaching my decision.

20. Mr Hawley notes that the applicants concede that the word CHELSKI came to their attention through media coverage relating to Mr Abramovich becoming involved with Chelsea Village PLC, and thereby, Chelsea Football Club. He contrasts this with Mr Gillard's statement that CHELSKI was an ideal, Polish sounding name. Exhibit RJHA consists of an extract from the Internet that Mr Hawley asserts shows the suffix "SKI" is associated with Russia rather than Poland.

21. Mr Hawley refers to the prior rights search conducted by the applicants, stating that it is clear that having found the opponents' application to register CHELSKI in Class 25, they would have been aware the Chelsea Football Club Limited had an interest in the name. He goes on to say that although the applicants contacted Chelsea Football Club with a view to attracting backing for the CHELSKI vodka product, they do not explain why they approached the football club rather than a recognised drinks manufacturer. He states that as can be seen from exhibit RJHB, the applicant's claim that the "reversed letter K" gave a "Cyrillic flavour" is most likely to be taken as an indication of being of Russian origin. He further says that the later application with the word CHELSKI represented on a rectangular background in a similar colour blue to that used by the Chelsea football team. He notes that the opponents were successful in their opposition to the registration of that mark, exhibit RJHC being a copy of an official letter relating to an award of costs.

22. That concludes my summary of the evidence insofar as it is relevant to these proceedings.

## **DECISION**

23. I will first look at the ground under Section 5(3) of the Act. That section reads as follows:

**"5-(3) A trade mark which -**

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

(b) is to be registered for goods or services which are not similar to those for which the earlier mark is protected,

shall not be registered if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom (or, in the case of a Community trade mark, in the European Community) 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.”

24. The provisions of Section 5(3)(b) have now been repealed by Regulation 7 of The Trade Marks (Proof of Use, etc) Regulations 2004,. The equivalent provision in Section 10 of the Act dealing with infringement has also been amended. The explanatory note to the regulation says::

"These amendments implement the decision of the European Court of Justice in *Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd* of 9th January 2003 (C-292/00) which was confirmed by its decision in *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd* of 23rd October 2003 (C-408/01). Those decisions determined that Article 5(2) of the Directive, which on the face of it, grants a right to the proprietor of a trade mark to prevent third parties from using an identical or similar trade mark in relation to goods or services which are *not similar* where the earlier trade mark has a reputation and use of that sign takes unfair advantage or is detrimental to the distinctive character of that earlier trade mark, also applies to goods or services which are similar or identical to those for which the earlier trade mark is registered."

25. The scope of Section 5(3) has been considered in a number of cases notably *General Motors Corp v Yplon SA (Chevy)* [1999] ETMR 122 and [2000] RPC 572, *Premier Brands UK Limited v Typhoon Europe Limited (Typhoon)* [2000] FSR 767, *Daimler Chrysler v Alavi (Merc)* [2001] RPC 42, C.A. *Sheimer (M) Sdn Bhd's TM Application (Visa)* [2000] RPC 484 *Valucci Designs Ltd v IPC Magazines (Loaded)* BL/455/00 and, more recently *Mastercard International Inc and Hitachi Credit (UK) Plc* [2004] EWHC 1623 (Ch) and *Electrocoin Automatics Limited and Coinworld Limited and others* [2004] EWHC 1498 (Ch).

26. In considering the issue under this Section I have to consider whether the applicant had due cause to use the mark it seeks to register. The applicants rely on the explanation that they have given as to how the mark was chosen, and why it is seeking to register it for the goods specified. They do not, however, pray in aid the “due cause” provision.

27. There is no dispute that the trade mark of the subject application, and the mark relied upon by the opponents are identical. They are the same word with no additional elements or stylisation to distinguish one from the other, and to the average consumer of the goods in question, will be visually, aurally or conceptually indistinguishable. Given this fact, it is of little or no consequence whether the consumer is able to make a direct comparison or has to rely upon a picture kept in their mind. Whatever point of reference used, or impression taken from one trade mark, it will be exactly the same as that drawn from the other.

28. The opponents’ objection is based on the subject application being in respect of similar and dissimilar goods, so as far as the requirements of Section 5(3) are concerned I need not consider whether they are one or the other, or both. However, whilst a likelihood of confusion is not necessary for there to be a finding for the opponents, it seems to me that where the goods of a disputed application are similar to those for which the opponents have a reputation, there will be a likelihood of

confusion and a consequential benefit the applicants, or harm to the opponents. I will therefore go on to determine the question of similarity in respect of the goods.

29. As a starting point I must assume that as neither the opponents' nor the applicants' specification are stated to be specialised in some way, they are of the type purchased by the public at large, and that the consumers of the respective goods are notionally the same. In determining whether the goods covered by the opponents' earlier mark are the same as, or similar to the applicants' goods, I have considered the guidelines formulated by Jacob J in *British Sugar Plc v James Robertson & Sons Ltd* [1996] R.P.C. 281 (pages 296, 297) as set out below:

“The following factors must be relevant in considering whether there is or is not similarity:

- (a) the respective uses of the respective goods or services;
- (b) The respective users of the respective goods or services;
- (c) The physical nature of the goods or acts of services;
- (d) The respective trade channels through which the goods or services reach the market;
- (e) In the case of self-serve consumer items, where in particular they are respectively found or likely to be found in supermarkets and in particular whether they are, or likely to be, found on the same or different shelves;
- (f) The extent to which the respective goods or services are competitive.

This inquiry may take into account how those in the trade classify goods, for instance whether market research companies, who of course act for the industry, put the goods or services in the same or different sectors.”

30. Whilst I acknowledge that in the view of the *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* [1999] E.T.M.R. 1, a judgement by the European Court of Justice (3-39/97) the *Treat* case may no longer be wholly relied upon, the ECJ said the factors identified by the UK government in its submissions (which are listed in *TREAT*) are still relevant in respect of a comparison of goods.

31. The opponents' earlier trade mark is registered in Class 25 in respect of: the following goods:

Articles of clothing; articles of outer clothing; articles of sports clothing; leisurewear; articles of underclothing; lingerie; hosiery; footwear being articles of clothing; headgear (for wear); shirts; boots; underwear; coats; overalls; collar protectors and collars; ear muffs; football boots and shoes; fittings of metal for boots and shoes; shorts; T-shirts; socks; sweaters; caps; hats; scarves; jackets; dressing gowns; pyjamas; sandals; slippers; footwear;

boxer shorts; beach clothes and shoes; baby boots; diapers and bibs; romper suits; baby pants and sleep suits; dungarees; braces; belts and berets; wrist bands; track suits; ties; cravats; aprons; bathrobes; bathing caps and suits; bathing trunks; galoshes; garters; gloves and mittens; headbands; boots; jackets; jerseys; jumpers and knitwear; leggings; clothes linings; parkas; shawls; singlets; skirts; vests; visors; waistcoats; waterproof clothing; articles of footwear; articles of headgear.

The applicants statement of goods read as follows:

**Class 24** Bath linen, bed blankets, bed clothes, bed covers, bed covers of paper, bed linen, bed spreads, blankets, coverlets, covers, covers for cushions, eiderdowns, household linen, linen pillow shams, pillow cases, shams, sheets, towels of textile.

**Class 32:** Beers, mineral and aerated waters, fruit drinks, fruit juices, shandy, non-alcoholic beers and wines, de-alcoholised drinks.

**Class 33:** Alcoholic beverages containing more than 1.2% of alcohol by volume, alcoholic beverages containing spirits, alcoholic beverages containing wines, alcoholic cocktails, distilled alcoholic beverages, cocktails based on spirits, cocktails, drinks containing 1.2% of alcohol or more by volume, spirits, vodka, wine, cocktails containing vodka alcohol content exceeding 1.2% by volume.

32. There can be little argument that these goods are for different uses to the clothing covered by the opponents' earlier mark. Clothing, textile goods and beverages are ordinary everyday item purchased by the public at large. There is no qualification or restriction that limits the respective goods in such a way as to mark them as being for different consumers. The opponents' goods and the applicants' goods in Class 24 are (or are more usually) textile in nature. I am aware that at the retail end of the chain, multi-product outlets such as department stores and supermarkets may trade in both clothing and household textiles, and in some cases also beverages, but in other cases these tend to be distinct areas of trade. There is nothing that establishes a "source link" between clothing, and household textiles/beverages to the manufacturing end of the channels of trade; although perhaps with the exception of high-end designer fashion who may also produce a range of household textiles, I consider these goods are in different areas of industry. The purchase of clothing, household textiles and beverages will generally be by self-selection, but again, there will be exceptions such as in high-end fashion wear. Borne of the fact that these are goods that are different in their intended purpose, and are not in any way in competition or complementary, and where stocked by the same establishment, or displayed in a catalogue, they will be in separate areas. On an assessment based on these factors, I have little hesitation in concluding that the goods covered by the subject application are not similar to those for which the opponents' earlier mark is registered.

33. Mr Hawley says that CHELSKI is an invented word which came into existence in July 2003 as a result of Mr Abramovich becoming involved, inter alia, with Chelsea Football Club. As far as I am aware, and there is no evidence to the contrary,

CHELSKI is a word with no dictionary meaning. It is the creation of the media who, not uncommonly, invent attention grabbing portmanteau words that give the public an idea of the subject matter of a news article, in this case, the purchase of shares in Chelsea Village PLC, the proprietor company of the Premier League football team, Chelsea Football Club, by a Russian businessman Roman Abramovich. The source of the inspiration is easy to see, the prefix CHEL(S) being the first syllable of CHELSEA, the SKI suffix being added to give the word a Russian feel whilst remaining phonetically close to the name CHELSEA. Being an invented word it has a high degree of distinctive character

34. The change of ownership of a football club is always newsworthy, but in this case was all the more so because of the prominence of Chelsea Football Club, and the fact that shares had been purchased by an extremely wealthy entrepreneur from a once communist economy. Exhibit RJH1 shows that on 2 July 2003, the BBC reported the event in an article headed “Russian businessman buys Chelsea – Chelsea football club is to be bought by a Russian billionaire Roman Abramovich in a deal worth £140m”, posted in the News section of their website. Although there is no evidence, it seems reasonable to infer that this story also featured in their television news broadcasts.

35. Although the BBC report makes no mention of CHELSKI, an entry in the results of an Internet search conducted on 15 October 2004 for the term CHELSKI (Exhibit RJH2) states “SportsFilter “Chelski”? – July 2 2003 “Chelski”? : A Russian tycoon buys Chelsea FC...”. The opponents have not provided all of the results of the search, but given that it came up with a reported 22,200 hits for CHELSKI, this is perhaps not surprising. But that the pages exhibited have been selected at random, with no explanation as to the reason, or how and why the particular pages were selected. Whilst most entries containing CHELSKI are connected to football and as a reference to Chelsea Football Club, there are some that cannot be seen to be linked to the club. All of this leaves open the question of whether the opponents have been selective in their choice of evidence, and whether the entries that have not been exhibited show CHELSKI being used by other trading entities. Mr Gillard says that the CHELSKI name originated from Mr Thomas Sloan, who picked up the word from news reports on 1 July 2003, which would seem to indicate that neither Mr Gillard or Mr Sloan had any knowledge of CHELSKI prior to its use in connection with Chelsea FC, but that does not mean that it was not being used elsewhere.

36. One of the problems with results of this type obtained from the Internet is that it is seldom accompanied by details of the number of times that the sites have been accessed, making it impossible to assess the extent of the impact on the consumers awareness. That the search came up with around 22,000 hits could be taken as a reasonable basis on which to infer that the connection between CHELSKI and Chelsea FC had reached a significant proportion of the relevant public, but even if that is the case, with the exception of the entry mentioned above, the references to CHELSKI are either undated, or where there is a date shown it is after the relevant date. Given that the search was conducted well after the relevant date, it is not possible to ascertain whether the “hits” originate from a time prior to, or after the filing of the subject application.

37. Most of the entries shown in the results of the Internet search are news reports where CHELSKI is being used as an alternative name for the football club. Some

show the name being used in a trade in articles of clothing, namely, T-shirts and replica football shirts, in one instance by the Chelsea Football Club through its on-line shop [chelseamegastore.com](http://chelseamegastore.com), but also two other, as far as I know, unconnected companies. It is not possible to see whether these sites were up and running at the relevant date, nor is there any information giving the extent of sales, advertising or range of goods bearing CHELSKI sold by the opponents..

38. That Chelsea FC had a reputation at the relevant date is not in dispute. What is not established is whether the same could be said of the mark CHELSKI. In his evidence Mr Hawley refers to the opponents' "actual sales activities" prior to the relevant date as confirming that they "enjoyed an established reputation in relation to the sale of goods which are proper to the Classes the subject of the Application..." and that "the Opponent already uses the CHELSKI Trade Mark in relation to goods in more than one Class, (which in turn demonstrates that the Opponent has diverse trading interests, and it is not unreasonable to assume that it would want to use the CHELSKI mark on a broad range of products/services)." In support of these claims he refers to exhibit RJ3, in particular, extracts from the opponents' merchandise website.

39. I have a number of difficulties with Mr Hawley's claims. The only evidence relating to a trade in goods by the opponents consists of an undated link to their web shop (RJH2), and an extract from their on-line catalogue (RJH3). Whilst the catalogue lists a range of items, including some that would be covered by the subject application, there is nothing to show the date from which it, or the products shown became available to the public. The pages of the catalogue and the search results showing the web link were printed on 15 October 2004, over a year after the relevant date. Whilst it may well be that the on-line catalogue had been available prior to the relevant date, it is not reasonable either to infer this, or that it contained the same range of goods. This is particularly so in the case of those bearing the CHELSKI mark. The name only became linked with the opponents on 1 July 2003, a matter of some two and a half months prior to the filing of the application, and unlike their other trade marks, was registered by the opponents only in relation to clothing, not the full range of goods listed in the catalogue.

40. The gaps in the evidence mean that I am unable to gauge whether, and if so, to what extent, CHELSKI had become known and connected with the opponents/Chelsea FC at the relevant date. Whilst I consider that even without evidence there could be no dispute that Chelsea FC have a long standing and substantial reputation as a football club, as I see it the evidence falls way short of establishing that at the relevant date, they had any reputation in CHELSKI. That the opponents saw fit to register the mark in the month following its use in the media could be an indication that it was being widely used in connection with the football club, but it could just as easily mean that they, like the applicants, saw something attractive in the name. Whatever is the case, this is not a basis from which I can infer that the mark had become associated with the opponents, and more importantly, that it had acquired a reputation.

41. There is no conclusive evidence that prior to the relevant date, the opponents had been trading in any, let alone a diverse range of goods, or that through such use had established the idea of them being involved in a broad based trade in the minds of the

consumer, or that it would not be unusual for a football club to trade in the goods covered by the subject application. As was stated in *General Motors Corporation v. Yplon SA*,

“...Article 5(2), in contrast to Article 5(1)(b), does not refer to a mere risk or likelihood of its conditions being fulfilled. The wording is more positive: “takes unfair advantage of, or is detrimental to”. Moreover, the taking of unfair advantage or the suffering of detriment must be properly substantiated, that is to say, properly established to the satisfaction of the national court: the national court must be satisfied by evidence of actual detriment, or of unfair advantage. The precise method of adducing such proof should in my view be a matter for national rules of evidence and procedure, as in the case of establishing likelihood of confusion: see the tenth recital of the preamble.”

42. Clearly, if the opponents seek to benefit from a reputation, it is for them to prove its existence, not to leave it to be inferred from likelihoods and possibilities. The opponents have singularly failed to substantiate the existence of a reputation that the applicants could either harm, or take advantage of, and I have no difficulty in dismissing the opposition under Section 5(3).

43. Turning to the ground under Section 5(4)(a). That section reads as follows:

“5.-(4) A trade mark 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, or

(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.”

44. Mr Geoffrey Hobbs QC, sitting as the Appointed Person set out a summary of the elements of an action for passing off in his decision in the *WILD CHILD* Trade Mark case [1998] RPC 455. Mr Hobbs summarised the requirements as follows:

“(1) that the plaintiff’s goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature;

(2) that there is a misrepresentation by the defendant (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by the defendant are goods or services of the plaintiff; and

(3) that the plaintiff has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant’s misrepresentation.”

45. In *South Cone Incorporated v Jack Bessant, and others*, [2002] RPC 19, Pumfrey J stated.

“27. There is one major problem in assessing a passing off claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the Registrar is entitled to be presented with evidence which at least raises a prima facie case that the opponent’s reputation extends to the goods comprised in the applicant’s specification of goods. The requirement of the objection itself are considerably more stringent than the enquiry under s.11 of the 1938 Act (see *Smith Hayden & Co. Ltd’s* application (OVAX) (1946) 63 R.P.C. 97 as qualified by BALI Trade Mark [1969] R.P.C. 472). Thus the evidence will include evidence from the trade as to reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on.

28. Evidence of reputation comes primarily from the trade and the public, and will be supported by evidence of the extent of use. To be useful, the evidence must be directed at the relevant date. Once raised, the applicant must rebut the prima facie case. Obviously, he does not need to show that passing off will not occur, but he must produce sufficient cogent evidence to satisfy the hearing officer that it is not shown on the balance of probabilities that passing off will occur.”

46. In the case of *Harrods Ltd v Harrodian School Ltd*, R.P.C. 697, Millet LJ stated that it was well settled that unless registered as a trade mark, there is no monopoly in a brand name or trade mark, no matter how familiar it may be. Passing off is the wrongful invasion of a right of property vested in the claimant, but the property that is protected by an action of passing off is not the claimant’s proprietary right in the name or trade mark, but the goodwill and reputation of the business which is likely to be harmed by any misrepresentation.

47. Whilst the use of an identical mark that the applicants concede they adopted only after becoming aware of its use as a reference to the opponents (or at least their football club) could lead to a misrepresentation, this is dependent upon the opponents establishing that at the relevant date, they possessed a goodwill and/or representation in the name. I have already expressed my views on the lack of any evidence that conclusively establishes that the opponents had established a reputation in the mark CHELSKI. For the same reasons, I do not see that the position is any different in respect of goodwill. Consequently, I do not see how there can be a finding that there is a likelihood of the applicants suffering damage by the registered proprietors’ use of CHELSKI in relation to the goods covered by the application and the ground under Section 5(4)(a) is also dismissed.

48. This leaves the ground under Section 3(6). That section reads as follows:

“3.-(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

49. In the case of *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367, Lindsay J put the position in relation to an allegation of bad faith as follows:

“I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context; how far a dealing must so fall-short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances.”

50. In *R. v. Royal Enfield Trade Marks* [2002] RPC. 24. Mr Simon Thorley Q.C., sitting as the Appointed Person took the following view on an allegation that a party has acted in bad faith:

“31 An allegation that a trade mark has been applied for in bad faith is a serious allegation. It is an allegation of a form of commercial fraud. A plea of fraud should not lightly be made (see Lord Denning M.R. in *Associated Leisure v. Associated Newspapers* [1970] 2 Q.B. 450 at 456) and if made should be distinctly alleged and distinctly proved. It is not permissible to leave fraud to be inferred from the facts (see *Davy v. Garrett* (1877-78) L.R. 7 Ch.D. 473 at 489). In my judgment precisely the same considerations apply to an allegation of lack of bad faith made under section 3(6). It should not be made unless it can be fully and properly pleaded and should not be upheld unless it is distinctly proved and this will rarely be possible by a process of inference. Further, I do not believe that it is right that an attack based upon section 3(6) should be relied on as an adjunct to a case raised under another section of the Act. If bad faith is being alleged, it should be alleged up front as a primary argument or not at all.

32 In the present case Mr. Edenborough invited the hearing officer to infer bad faith from incidents which allegedly took place in 1989, the bad faith being in 1992. No application was made to cross examine Mr. Narayan to challenge his rejection of Mr. Holder's evidence. Mr. Edenborough told me that no application was made to cross examine because it was the practice of the Registry to refuse such applications. I am unaware that there is such a practice and if there were to be, it would be wrong.

33. Where there is a conflict of evidence (and it is material for the purposes of the dispute for the hearing officer to resolve that conflict) and where it is thought that cross examination is either desirable or necessary to assist him in that task an application for cross examination must be made prior to the hearing before the registry. If the hearing officer wrongly declines to allow cross examination, that can be the subject of an appeal.”

51. In the Court of Appeal decision in *Harrison's Trade Mark Application* [2005] FSR 10, Sir William Aldous' judgment considered the relevance of *Twinsectra Ltd v*

*Yardley*, [2002] UKHL 12; [2002] 2 A.C. 164, which had been before The House of Lords. Consideration was given to the nature of the test to be applied in considering matters of dishonesty:

“23 In *Twinsectra*, the courts had had to consider whether a solicitor had acted dishonestly. Although the question for decision in that case was different, the reasoning in the speeches is relevant. The leading speech was made by Lord Hutton. At [27] he said:

“27 .... There are three possible standards which can be applied to determine whether a person has acted dishonestly. There is a purely subjective standard, whereby a person is only regarded as dishonest if he transgresses his own standard of honesty, even if that standard is contrary to that of reasonable and honest people. This has been termed the ‘Robin Hood test’ and has been rejected by the courts. As Sir Christopher Slade stated in *Walker v Stones* [2000] Lloyds Rep PN 864, 877 para.164:

‘A person may in some cases act dishonestly, according to the ordinary use of language, even though he genuinely believes that his action is morally justified. The penniless thief, for example, who picks the pocket of the multi-millionaire is dishonest even though he genuinely considers that theft is morally justified as a fair redistribution of wealth and that he is not therefore being dishonest.’

Secondly, there is a purely objective standard whereby a person acts dishonestly if his conduct is dishonest by the ordinary standards of reasonable and honest people, even if he does not realise this. Thirdly, there is a standard which combines an objective test and a subjective test, and which requires that before there can be a finding of dishonesty it must be established that the defendant’s conduct was dishonest by the ordinary standards of reasonable and honest people and that he himself realised that by those standards his conduct was dishonest. I will term this ‘the combined test’.”

52. Clearly the court, when considering bad faith, cannot apply a purely subjective test, called by Lord Hutton “the Robin Hood test”. The dishonest person or one with low standards cannot be permitted to obtain trade mark registrations in circumstances where a person abiding by a reasonable standard would not. The registration of a trade mark is designed to enable bona fide proprietors to protect their proprietary rights without having to prove unfair trading. Registration is not provided to help those with low moral standards.

53. Lord Hutton went on to conclude that the true test for dishonesty was the combined test. He said:

“36 ... Therefore I consider ... that your Lordships should state that dishonesty requires knowledge by the defendant that what he was doing would be regarded as dishonest by honest people, although he should not escape a finding of dishonesty because he sets his own standards of honesty and does

not regard as dishonest what he knows would offend the normally accepted standards of honest conduct.”

26 For my part, I would accept the reasoning of Lord Hutton as applying to considerations of bad faith. The words “bad faith” suggest a mental state. Clearly when considering the question of whether an application to register is made in bad faith all the circumstances will be relevant. However, the court must decide whether the knowledge of the applicant was such that his decision to apply for registration would be regarded as in bad faith by persons adopting proper standards.”

54. These earlier authorities were considered by the Privy Council in *Barlow Clowes International Ltd (in liquidation) & Others v Eurotrust International Limited & Others*, (Privy Council Appeal No 38 of 2004. In particular, their Lordships considered a submission from Counsel that an inquiry into the defendant’s views about standards of honesty is required. The following passage from Lord Hoffman’s judgment sets out the position as follows:-

“[Counsel for the defendant] relied upon a statement by Lord Hutton in *Twinsectra Ltd v Yardley* [2002] 2 AC 164, 174, with which the majority of their Lordships agreed:

“35. There is, in my opinion, a further consideration which supports the view that for liability as an accessory to arise the defendant must himself appreciate that what he was doing was dishonest by the standards of honest and reasonable men. A finding by a judge that a defendant has been dishonest is a grave finding, and it is particularly grave against a professional man, such as a solicitor. Notwithstanding that the issue arises in equity law and not in a criminal context, I think that it would be less than just for the law to permit a finding that a defendant had been ‘dishonest’ in assisting in a breach of trust where he knew of the facts which created the trust and its breach but had not been aware that what he was doing would be regarded by honest men as being dishonest.

“36. .... I consider that the courts should continue to apply that test and that your Lordships should state that dishonesty requires knowledge by the defendant that what he was doing would be regarded as dishonest by honest people, although he should not escape a finding of dishonesty because he set his own standards of honesty and does not regard as dishonest what he knows would offend the normally accepted standards of honest conduct.”

15 Their Lordships accept that there is an element of ambiguity in these remarks which may have encouraged a belief, expressed in some academic writing, that *Twinsectra* had departed from the law as previously understood and invited inquiry not merely into the defendant’s mental state about the nature of the transaction in which he was participating but also into his views about generally acceptable standards of honesty. But they do not consider that this is what Lord Hutton meant. The reference to “what he knows would offend normally accepted standards of honest conduct” meant only that his

knowledge of the transaction had to be such as to render his participation contrary to normally acceptable standards of honest conduct. It did not require that he should have had reflections about what those normally acceptable standards were.

16. Similarly in the speech of Lord Hoffmann, the statement (in paragraph 20) that a dishonest state of mind meant “consciousness that one is transgressing ordinary standards of honest behaviour” was in their Lordships’ view, intended to require consciousness of those elements of the transaction which make participation transgress ordinary standards of honest behaviour. It did not also require him to have thought about those standards were.”

55. On the basis of these authorities, it is clear that a finding of bad faith may be made in circumstances which do not involve actual dishonesty, and that it is not necessary for me to reach a view on the applicants’ state of mind if I am satisfied that, in all the surrounding circumstances, their actions in applying for the trade mark would have been considered contrary to normally accepted standards of honest conduct.

56. The opponents state their case under Section 3(6) in the following terms:

“To that end, the Opponent wishes it to be known that by a letter dated 22 December 2003 Mr Ken Bates (Chairman of CFC) was contacted by Mr Ian R Holdsworth of **ON LEGAL SOLICITORS** of Halesbury House, 18 Yarborough Croft, North Oram, Halifax, West Yorkshire, HX3 7JH.

Such communication supplied Mr Bates with a copy of a letter sent (four days earlier) to Chelsea Village PLC, and also advised him that **ON LEGAL SOLICITORS** act for Chelski Limited (the proprietor of the Application) *and* that their client had instructed them to contact CFC with a view to, *inter alia*, selling the subject Application **or** to formulating a joint venture Company with the Opponent/Chelsea Village PLC.

Upon seeking further information/clarification, it was ultimately revealed (by letter dated 15 January 2004) that **ON LEGAL SOLICITORS** act not only for Chelski Limited but also Chelski Design Limited (registered Company number 04931319) and Chelski Food & Wine Limited (registered Company number 04840544). All three Companies have the same Registered Office address and were incorporated after the above-identified date on which Mr Abramovich purchased his majority shareholding in Chelsea Village PLC, and subsequent to the invented term **CHELSKI** becoming well-known in respect of the activities of the Opponent and, in particular, CFC.”

57. The inference that the opponents seek to draw from this is that the applicants saw the name **CHELSKI** being used in connection with one of the country’s premier football clubs, and registered it as a trade mark with the sole intention of gaining some financial or commercial advantage by either inducing the club to participate in a venture as a means of exerting some control over the name, or simply selling the registration to the club.

58. The applicants do not deny the fact that it was the use of CHELSKI in the media reports relating to Mr Abramovich/Chelsea Football Club that brought the name to their attention. Mr Gillard says that they could see CHELSKI making an excellent brand or product name, specifically mentioning vodka, and proceeded to register it as a domain and company name. He says that there was no reason for us to “think about Chelsea” when discussing the marketability of CHELSKI, the word being entirely a media invention. I am not entirely sure, but it would seem that Mr Gillard is saying that he had no reason to regard the name as the property of Chelsea FC, and presumably nothing to prevent him from using it commercially as he saw fit.

59. One major difficulty with the opponents’ case is the uncertainty regarding the status of the name CHELSKI at the date on which the application to register it as a trade mark was made. It appears to have been used in the media as a reference to the Russian connection with the club. I do not dispute that it is possible for names that have been the focus of media attention to become widely known in a very short space of time. However, the only evidence showing use of CHELSKI in connection with the opponents/CFC prior to the relevant date is in an Internet search that brought up the headline from a site “SportsFilter”, but as there is no information showing when and how often the site had been accessed, the most I can draw from this is that the name CHELSKI had been used as a reference to the opponents/CFC prior to the relevant date. The applicants’ admission that it was through such use that they became aware of the name is of no great assistance. But even if I were to accept that the media reports had brought the name CHELSKI to the public’s consciousness as a reference to Chelsea Football Club, I do not see that this, of itself gives the club rights to ring-fence the word so as to prevent its use by others in relation to all products.

60. Mr Hawley’s claims regarding the opponents’/CFC’s use of trade marks in the sale of goods may well be factually correct, but is not proven by the evidence. There is nothing that shows that prior to the relevant date, the opponents/CFC were connected to any activities that could have established in the minds of the consumer, the idea of them being involved in a trade in a range of goods, be it under CHELSKI or any other trade mark, or that it would not be unusual for a football club to trade in such a way. The fact that the opponents had an earlier application to register CHELSKI as a trade mark could be taken as sufficient to have alerted the applicants to the possibility that there may be a rival claim to the rights in the mark, but that application was in Class 25 whereas the applicants subsequently sought to register the name in respect of different goods.

61. Setting aside the fact that it has not been shown that the opponents/CFC were selling any goods prior to the relevant date, and accepting their evidence as an indication of the type of goods that they would most likely use their trade marks in connection with in the course of trade, the applicants could have known that this might encompass goods such as duvet covers, curtains and the like, but why should they assume that the opponents may wish to extend this into previously untapped areas of the drinks trade? There is also the fact that the applicants were aware the opponents had only applied to register the trade mark in respect of clothing.

62. Obtaining the registration of domain and company names, and making an application to register a trade mark, are the normal activities of a trader, and at face value give no reason to consider doing so an act of bad faith. Unlike the cases cited

by the opponents, the applicants did not register a name and immediately seek to offload it, or apply to register the chosen name of an enterprise. The opponents argue that the applicants knew that they owned the rights in CHELSKI, but nonetheless went ahead with no other intention than to get in ahead of them to frustrate their wishes to exploit the name, and to reap some financial gain. Part of the difficulty is that in the absence of evidence to the contrary (and there rarely is such evidence) the only person who knows whether these rights were obtained in the furtherance of a genuine commercial activity is the applicants, and they assert that this is the case.

63. It seems to me that in the absence of evidence there are two particular circumstances from which I could reasonably infer that the applicants activities, in particular, in making the application to register the trade mark, were an act of bad faith. The first is whether they should have known that they had no rights to the trade mark because it belonged to the opponents. I have already commented on the almost complete lack of evidence that, at the relevant date, tied the CHELSKI name or any rights in it, to the opponents, or that showed that their commercial activities were such that the applicants should reasonably have expected them to look to use the name in trade.

64. Another possible indicator of the rationale for the application can be found in the applicants' actions in relation to the use, or preparations for use of the subject trade mark. If the application was made for the reasons suggested by the opponents, it is unlikely that the applicants would have made any serious attempt to put the marks into commercial use. The evidence shows that they did attempt to commercialise the mark, although not to any great extent, and what efforts they did make proved singularly unsuccessful. Mr Gillard says that the reason for the limited activity in relation to CHELSKI is that he was engaged in other ventures, but that in July and September, discussions had taken place with a manufacturer of vodka based mixer drinks, and action taken to source supplies of vodka from Poland. The exchange on whether CHELSKI is Russian or Polish sounding is of no consequence, the average consumer would be most unlikely to know the difference, that is if there is any. Nor do I consider that I can draw any conclusions from the later proceedings involving the mark CHELSKI with the reverse letter "K".

65. Mr Gillard recounts the printing of business cards for CHELSKI LIMITED (Exhibit RG6), market research and the commissioning of artwork for a drink to be launched as CHELSKI BLUE (Exhibit RG7). There is a letter (exhibit RG8) in which Merriman's Brewery agree that the vodka product could be bottled by their brewery, although I accept that there is no specific mention of this being in relation to a CHELSKI vodka product. The letter at exhibit RG9, from Yorpol Packaging Limited confirms the intention to produce four variants of CHELSKI, enquiries being made with their agents regarding trade marks, and to "taking matters forward with the T-shirts". On its face these appear to be the actions of a trader seeking to develop a brand.

66. Mr Gillard explains that the letter of 22 December 2003 was sent to Ken Bates because production of the drink was not feasible without further investment, and that the letter was an enquiry to find out whether Chelsea Football Club would be interested in a joint venture or in purchasing the business. If, as the applicants say, they had no cause to think of the opponents/CFC when considering the use of

CHELSKI, why do they then contact them seeking financial support? The only inference that I can draw is that the applicants thought that there was something in the name that would be of interest to the opponents/CFC. But apart from admitting that the name came to them through the media, which must have established a link with the club in the applicants' mind, there is no evidence that at the relevant date, the opponents/CFC had any reputation in the name, had any intention of, or had actually used the name.

67. As was stated in the case law summarised above, an allegation of bad faith is a serious matter, and if made should be distinctly alleged and proved, and not left to be inferred from the facts. The onus rests firmly with the party making their allegation, and in this their evidence falls well short on facts, leaving me to infer far too much from what was most likely or possible. Accordingly, I have no difficulty in dismissing the ground under Section 3(6).

68. The opposition having failed on all grounds, I order the opponents to pay the applicants the sum of £2,750 as a contribution towards their costs. This sum to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

**Dated this 13<sup>th</sup> day of June 2006**

**Mike Foley  
For the Registrar  
The Comptroller-General**