

O-307-10

TRADE MARKS ACT 1994

IN THE MATTER OF Application No 2410492 by Socks World International Limited to register in class 25 the trade mark BEKO Sport (in stylized form)

AND IN THE MATTER OF Opposition No. 94441 by Beko Plc

DECISION

INTRODUCTION AND SUMMARY

1. This is an appeal from a Decision dated 18th May 2009 of Mr Oliver Morris, acting on behalf of the Comptroller, in which he rejected an opposition brought by the opponent (“BEKO”) to application No. 2410492 made by Socks World International Limited (“Socks World”) to register the mark BEKO sport in stylised form in class 25 in respect of “clothing footwear and headgear”. Opposition was made under sections 3(6) and 5(3) of the Trade Marks Act 1994. In relation to section 5(3), BEKO relied on three earlier registered marks for the mark BEKO, outlined below.

2. At the heart of the appeal lies the contention that the Hearing Officer wrongly approached the evaluation of facts under section 5(3) of the Act and adopted too narrow an approach to the application of the law relating to bad faith under section 3(6).

3. BEKO contends that the application for the mark was made specifically to trade off the reputation of the BEKO brand and that the Hearing Officer should therefore have upheld the opposition. The Hearing Officer made his decision before the Judgment of the European Court of Justice and the Court of Appeal in the *L’Oreal* litigation. Those decisions have a bearing on the approach to the present appeal as I discuss below.

APPROACH TO THE APPEAL

4. Neither surprise at a Hearing Officer's conclusion nor a belief that he has reached the wrong decision suffice to justify interference by this court (*Reef Trade Mark* [2003] RPC 5 and *BUD Trade Mark* [2003] RPC 25). Before that is warranted, it is necessary for this tribunal to be

satisfied that there is a distinct and material error of principle in the decision in question or that the Hearing Officer was clearly wrong. As Robert Walker LJ (as he then was) said:

"...an appellate court should in my view show a real reluctance, but not the very highest degree of reluctance to interfere in the absence of a distinct and material error of principle" (Reef at [28])

5. That approach was reinforced in *BUD*, where the Court of Appeal made it clear that it preferred the approach of the appellate judge but nonetheless held that there was no error of principle justifying departure from the Hearing Officer's decision. As Lord Hoffmann said in *Biogen v. Medeva* [1997] RPC 1 at 45, review of nuanced assessments requires an appellate court to be very cautious in differing from a judge's evaluation.

FACTS

6. Because of the nature of this appeal, it is convenient to begin with a summary of the relevant facts relating to BEKO's trade and reputation which are not in dispute. These are largely taken from the evidence of Mr Witter, the managing director of BEKO and Ms Richards, the brand manager of BEKO.

The BEKO brand

7. BEKO is part of a substantial Turkish-based group of companies with a large production capacity for fridges, washing machines, dishwashers and cooking appliances. The group's plant is the largest of its kind in Europe and BEKO supplies white goods in the United Kingdom and other countries in substantial quantities.

The BEKO registered trade marks and their use

8. The BEKO mark was first used as a trade mark in the UK in 1991 and there has been substantial use of it in the UK since then. It is used in a stylized form with a font which is distinctive. By March 2007, the BEKO brand represented 17% of the UK refrigerator market. Total sales of all BEKO products in the UK from 2000-2006 amounted to £780million.

9. By the date of the application, there had been extensive use of the BEKO trade marks, albeit not, on the evidence in this case, in relation to all of the goods for which the marks are registered.

10. Although it is not possible to be sure on the evidence precisely how much use there has been in relation to precisely what goods, there is ample evidence to support the conclusion that BEKO's registered trade marks 1457464 and 1457465 had been extensively used in the UK, at least for a range of white goods. The Hearing Officer described the sales figures as "huge" and he was right to do so.

11. In his Decision, having analyzed the evidence with care, the Hearing Officer concluded that BEKO's earlier marks would be known by a significant part of the relevant public. He also held that, while there was a reasonably strong reputation in terms of public awareness, there was nothing in the evidence to suggest that the marks had a reputation associated with luxury or the provision of high quality or sought after goods. Again, in my judgment, he was plainly right. BEKO is an ordinary high street brand.

“Sports reputation”

12. In addition to its reputation for white goods, BEKO claimed to have a specific reputation for a sporting image. In effect, this amounted to an argument, not so much that its goods were associated with sporting activities as such or that they were particularly “sporty” in nature or design, but rather than BEKO had engaged in sports sponsorship, thereby associating the BEKO with sport.

13. The Hearing Officer found that BEKO had promoted its marks in a sporting environment, such as perimeter advertising at sporting events. He held that this did not in itself create any particular sporting image with which the brand will be associated. I agree: use of mark in a sporting context does not imbue the mark *per se* with any kind of sporting image although in certain contexts and with certain goods it may do so.

14. BEKO also sponsored the Millwall football club (a London team) for one season. The Hearing Officer held, in a determination on the facts well within his province and from which I would be slow to differ, that he doubted whether that Millwall sponsorship would be recognized and known by the average consumer.

The applicant's knowledge of the BEKO marks and the allegation of why it was adopted

15. A key factual issue relevant to an assessment under sections 5(3) and 3(6) is the extent to which the mark was adopted by the proprietor with the intention of trading off the reputation of the opponent.

16. Mr Witter lays down a challenge in his witness statement as follows:

“Mr Erdal, [the Company Director of Socks World] will no doubt be aware of the reputation of the mark BEKO especially as the mark is well known in Turkey, probably equivalent to how well known the mark Mercedes Benz is in a country like Germany. I believe that the opposed application was filed in bad faith because the choice of type font was chosen to mimic our company's trade mark BEKO with a view to taking advantage of the reputation of that trade mark and its current close association with part in the United Kingdom as well as its world wide reputation”.

17. In the witness statement in response of Mr Spencer, Socks World's Trade Mark Attorney, this allegation is addressed as follows:

“16. In Clayton Witter, paragraph 14 and Elizabeth Jane Fuller paragraph 8, both express a belief that the Application was filed in a form so as to look like the Opponent’s use of its trade mark and would take unfair advantage of and be detrimental to the distinctive character and repute of Beko plc’s trade mark BEKO. This is refuted. Belief in itself constitutes only an accusation and does not substantiate proof of bad faith being exercised by the Applicant.

17. The word, BEKO, in the application for the words BEKO sport is styled in a font known as Changeling Bold, a commercially available typeface which is available for purchase and the Applicant’s trade mark application BEKO in the said font.” [sic]

18. The statement continues by identifying differences between the font used in the mark and that used by BEKO. Like the Hearing Officer, I regard those differences as very minor.

19. The mark as applied for is as follows:



BEKO
Sport

20. It differs from the mark used by BEKO only in the addition of the word Sport. In every other respect (especially font) it is virtually identical.

21. In paragraph 20 of the same statement, Mr Spencer says:

“Adoption of a similar font to the Opponent for use in connection with goods in a class of goods of no commercial interest to the Opponent cannot be considered to be an act of bad faith, as the Opponent has not demonstrated that the Applicant has acted fraudulently or dishonestly, or intends to or has traded off his reputation and sponsorship of sport, or that it has suffered or will suffer disadvantage or detriment. It is concluded that the font adopted in the Application for the word BEKO is not identical [to] that used by Beko plc. The Opponent has failed to demonstrate that such use takes unfair advantage of, and is detrimental to the distinctive character and favourable reputation of the Beko plc company’s trade marks. It might even be argued that this use provides the Opponent with further free advertising of its trade marks.”

22. The final observation in this paragraph is puzzling since it suggests that there is an advantage to a proprietor of an earlier mark to have its mark user by another outside its control because it provides free advertising. I disagree. One of the purposes of trade mark protection is to ensure that a proprietor’s use and manner of presentation of its marks to the public is controllable.

23. It is noteworthy that, while there is a general refutation of the allegation of bad faith, there is no evidence from any responsible individual at Socks World (or even from its trade mark attorney) which challenges the claim that the director of Socks World was aware of the reputation of the mark BEKO or that the font was chosen to mimic BEKO's trade mark. There is no explanation provided as to how the mark was chosen or how the font was chosen. It is doubtless true that the font is a commercially available one but so are many others. That does not explain why this font was chosen.

24. In the absence of any such explanation, I have come to the conclusion, taking all of the circumstances into account, that Socks World chose this mark and have applied for registration of it in full knowledge of BEKO's marks intending to replicate it as closely as possible albeit with an intention of applying the mark to a range of goods (clothing) in which BEKO had no apparent or direct commercial interest. I am not satisfied that the mark was adopted with an intention of damaging the BEKO brand and I agree with the Hearing Officer's assessment that it is difficult to see how, on the evidence, Socks World's use of the mark would damage the mark or the goodwill in it.

25. Nonetheless, I find the conclusion hard to resist that Socks World adopted and applied for the mark intending to take advantage of the connection which it would signal with BEKO and its goods and services. Although it is impossible to be completely sure, it is highly likely that this application was not unrelated to the fact that BEKO was the shirt sponsor of Millwall football club – and that its mark therefore featured prominently on shirts. That would provide a motivation for a registration covering clothing.

The pleading point – the contents of TM7

26. It is convenient at this juncture to address a pleading point referred to by the Hearing Officer and considered at the oral hearing of this appeal.

27. The pleadings in this case are brief and formulaic: they consist of a completed form TM7.

28. As regards the allegation of bad faith, the pleading is as follows. Under the pleading of grounds of opposition based on section 3 (section 3(6)) it was said:

“The mark applied for is intended to trade off the opponent's reputation and sponsorship of sport. This falls below accepted standards of behaviour expected within the applicant's trade. Permission for such use was not requested.”

29. Under the pleading of the grounds of opposition based on section 5(3), it was said:

“Registration of the mark applied for would blur the earlier mark and it would gain an unfair advantage from the existing reputation, and especially sports sponsorship of the earlier mark.”

30. At the end of the Form TM7 under the heading “Other Grounds of Opposition”, none of the boxes was checked. However, in the space for giving details of the opposition it was additionally said:

“The opponent has a reputation in the mark BEKO in respect of a wide range of household goods as indicated above. To promote its mark the opponent has sponsored teams such as MILLWALL F.C. where the mark BEKO has been prominently displayed on sports clothes and the like. Registration of the mark applied for would take advantage of this reputation and would be detrimental to the ability of the earlier mark to be used in sponsorship. The applicant must have been aware of this reputation and has proceeded to take advantage in bad faith by filing the subject application.”

31. Although the points might have been pleaded more clearly, in my view, the grounds set out the factual claim, inter alia, that the applicant intended to trade of the opponent’s reputation and sponsorship of sport.

32. The Hearing Officer was right to observe that an allegation of bad faith is a serious one, often involving a charge of dishonesty and, in any event, discreditable conduct. The basis for it should be distinctly articulated. It would have been better had it been spelled out more clearly but, in this case, I believe that the allegation of intention was sufficiently made, albeit briefly, on the form.

33. Moreover, the evidence relating to the allegation of intention to trade off the marks was well-developed and, in my judgment, Socks World had adequate notice of the points being made and the basis for them. They had an opportunity to deal with the points and did so in the evidence in response and by way of argument at the original hearing. In my judgment it would not be just to shut out consideration of the allegation on the basis of inadequate pleading.

LAW

The law relating to the registration of marks of others which have been deliberately adopted for trade in unrelated goods and services

34. This case is an instance of a situation which arises from time to time, where an undertaking adopts the (more or less well known) mark of another undertaking for trade in unrelated goods and services. The Trade Marks Act 1994 potentially addresses a situation of this kind under two heads, section 5(3) and section 3(6).

35. Such a situation presents conceptual difficulties for registered trade mark law for two reasons. First, because often in such a situation the earlier undertaking will not suffer any or any real damage as a result of the use by the later undertaking of the common mark in a different field giving rise to a question as to why registration of the later mark should be prevented at all. Second, because the system of trade mark registration provided under Community law (whether

under the Directive or under the CTMR) contemplates that registration is effected only for specific goods and services. A starting point of the Community system is that an undertaking should be entitled to adopt for its goods a mark registered by another in respect of very different goods unless the specific conditions preventing registration are satisfied. It is not a ground of refusal of registration as such that a trader has seen a mark in use for a quite different kind of goods and services and adopted it thinking it would also be a good mark for its own goods.

Section 5(3)

36. Section 5(3) of the Act provides:

“5(3) A trade mark which

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

37. The Decision in this case was handed down on 18th May 2009. On 18th June 2009, the ECJ handed down judgment in *L'Oréal v. Bellure*, Case C-487/07 in which it gave guidance on the proper approach to interpretation of Article 5(2) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1), (the “Trade Marks Directive”).

38. The ECJ said the following as regards Article 5(2) of the Trade Marks Directive and the requirement to show detriment or unfair advantage (emphasis added).

"40. As regards detriment to the repute of the mark, also referred to as 'tarnishment' or 'degradation', such detriment is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trade mark's power of attraction is reduced. The likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or a quality which is liable to have a negative impact on the image of the mark.

41 As regards the concept of 'taking unfair advantage of the distinctive character or the repute of the trade mark', also referred to as 'parasitism' or 'free-riding', that concept relates not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign. It 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.

- 42 Just one of those three types of injury suffices for Article 5(2) of Directive 89/104 to apply (see, to that effect, *Intel Corporation*, paragraph 28).
- 43 It follows that an advantage taken by a third party of the distinctive character or the repute of the mark may be unfair, even if the use of the identical or similar sign is not detrimental either to the distinctive character or to the repute of the mark or, more generally, to its proprietor.
- 44 In order to determine whether the use of a sign takes unfair advantage of the distinctive character or the repute of the mark, it is necessary to undertake a global assessment, taking into account all factors relevant to the circumstances of the case, which include the strength of the mark's reputation and the degree of distinctive character of the mark, the degree of similarity between the marks at issue and the nature and degree of proximity of the goods or services concerned. As regards the strength of the reputation and the degree of distinctive character of the mark, the Court has already held that, the stronger that mark's distinctive character and reputation are, the easier it will be to accept that detriment has been caused to it. It is also clear from the case-law that, the more immediately and strongly the mark is brought to mind by the sign, the greater the likelihood that the current or future use of the sign is taking, or will take, unfair advantage of the distinctive character or the repute of the mark or is, or will be, detrimental to them (see, to that effect, *Intel Corporation*, paragraphs 67 to 69).
- 45 In addition, it must be stated that any such global assessment may also take into account, where necessary, the fact that there is a likelihood of dilution or tarnishment of the mark.
- 46 In the present case, it is a matter of agreement that Malaika and Starion use packaging and bottles similar to the marks with a reputation registered by L'Oréal and Others in order to market perfumes which constitute 'downmarket' imitations of the luxury fragrances for which those marks are registered and used.
- 47 In that regard, the referring court has held that there is a link between certain packaging used by Malaika and Starion, on the one hand, and certain marks relating to packaging and bottles belonging to L'Oréal and Others, on the other. In addition, it is apparent from the order for reference that that link confers a commercial advantage on the defendants in the main proceedings. It is also apparent from the order for reference that the similarity between those marks and the products marketed by Malaika and Starion was created intentionally in order to create an association in the mind of the public between fine

frangrances and their imitations, with the aim of facilitating the marketing of those imitations.

- 48 *In the general assessment which the referring court will have to undertake in order to determine whether, in those circumstances, it can be held that unfair advantage is being taken of the distinctive character or the repute of the mark, that court will, in particular, have to take account of the fact that the use of packaging and bottles similar to those of the fragrances that are being imitated is intended to take advantage, for promotional purposes, of the distinctive character and the repute of the marks under which those fragrances are marketed.*
- 49 *In that regard, where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark.*
- 50 *In the light of the above, the answer to the fifth question is that Article 5(2) of Directive 89/104 must be interpreted as meaning that the taking of unfair advantage of the distinctive character or the repute of a mark, within the meaning of that provision, does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor. The advantage arising from the use by a third party of a sign similar to a mark with a reputation is an advantage taken unfairly by that third party of the distinctive character or the repute of the mark where that party seeks by that use to ride on the coat-tails of the mark with a reputation 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.*

39. A number of points merit comment.

40. First, the court in *L'Oreal* contemplated a "global assessment" just as in the *Intel* case. Second, the court noted that the products created by Malaika and Starion were produced intentionally to create an association in the mind of the public between L'Oréal's fragrances and their imitations with the aim of facilitating the marketing of those imitations. Third, the assessment required that the court take particular account of whether the use of the sign was intended to take advantage of the distinctive character and repute of the marks in such a way as

to ride on the coat-tails of the mark, thereby exploiting the marketing effort of the proprietor. Where it was shown that the defendant was attempting to do so, that would constitute taking unfair advantage. Fourth, of key importance was whether the defendant was seeking to take that kind of advantage to benefit from the power of attraction, reputation and prestige of the mark.

41. The importance of the last sentence of paragraph 50 of the judgment of the ECJ in the *L'Oréal* case was recognized by the Court of Appeal in another case after the Decision of the Hearing Officer, *Whirlpool v. Kenwood* [2009] EWCA 753. The Court of Appeal said (emphasis added):

"112. Thus, the issue raised by Jacob LJ at paragraph 91 of his judgment in L'Oréal v Bellure, which led him to pose the fifth of the referred questions, has been answered, in essence, to the effect that an advantage obtained by the third party from the use of a similar sign, which is neither confusing nor otherwise damaging, is unfair if the advantage is obtained intentionally in order to benefit from the power of attraction, the reputation and the prestige of the mark and to exploit the marketing effort expended by the proprietor of the mark without making any such efforts of his own, and without compensation for any loss caused to the proprietor, or for the benefit gained by the third party.

113. [Counsel for the Claimant] submitted that the element of intention would be relevant if it were proved, but that it is not necessary in order to show unfair advantage. He made a legitimate point that the Court's comment at the end of paragraph 41 of the judgment [of the ECJ in L'Oréal] appears to be illustrative rather than definitive. He contended that the effect of the Court's decision, stripped of inessentials, is that, in a case where the third party, using a sign which is sufficiently similar to a mark with a reputation for a link to be established, obtains any commercial boost or other advantage from the link, then that advantage is of itself unfair, without proof of any additional factor. That reading would deprive the word 'unfair' of any added meaning in the article.

114 I cannot accept [the Claimant's] submission, for at least two reasons. First, bearing in mind the terms in which Jacob LJ explained why he posed question (5), in paragraph 91 of his judgment in L'Oréal v Bellure, inviting the Court to say, if they thought it, that the word 'unfair' is virtually meaningless (see paragraph [105] above), I find it difficult to suppose that the Court would not have risen to his invitation (or challenge) and said so in terms, if they did mean to hold that any advantage was an unfair advantage.

115. Secondly, considering the terms in which they did answer question (5), if they had meant to convey that 'unfair' adds nothing, so that any advantage is an unfair advantage, they need not, and in my judgment would not, have said what they did. The second sentence of paragraph 50 of the judgment is far more specific and detailed than would have been necessary if that was their meaning."

42. The Court of Appeal went on to say:

"135. It seems to me that this case is a very long way away from *L'Oréal v Bellure*. As I have mentioned at paragraph [14] above, Whirlpool did not make any relevant allegation of intention in their pleaded case. Kenwood could not have planned its entry into this sector of the market, of which KitchenAid had until then had a monopoly, without being very well aware at all times of the KitchenAid Artisan. That in itself is not sinister (as the judge said), nor does it amount to anything like what the alleged infringers did in *L'Oréal v Bellure*. Kenwood, after all, had its own established goodwill in small domestic appliances, and kitchen items especially, on which it sought to build and rely, although not in the particular niche of the market to which the KitchenAid Artisan appealed. It did not need to ride on KitchenAid's coat-tails, so as to save itself from making promotional efforts in relation to its new product. It wished and aimed to use and to develop its own established goodwill and reputation by way of the promotion of its new product. As Mr Purvis submitted, Kenwood would not have wanted to be thought to have produced a 'me too' design. Nor can I regard the colour similarity as sufficient to bring the case within the approach explained by the Court in its recent decision, especially as the CTM is not colour-specific, and in the absence of any pleaded allegation on this point.

136. I do not consider that Kenwood's design involves anything like a transfer of the image of the KitchenAid mark, or of the characteristics which it projects, to the goods identified by Kenwood's sign (see *L'Oréal v Bellure* paragraph 41). Of course, as a newcomer in a specialist market of which KitchenAid had a monopoly, and being (necessarily) in the basic C-shape of a stand mixer, the kMix would remind relevant average consumers, who are design-aware, of the KitchenAid Artisan. That, however, is a very different phenomenon, in very different commercial circumstances, from the situation considered in *L'Oréal v Bellure*. I find the Court's judgment instructive, but it does not seem to me to lead to the conclusion in favour of Whirlpool for which [Counsel for the Claimant] contends. On the contrary, having rejected his radical submission that the word 'unfair' could just as well have been left out of the article, it seems to me that the decision points away from, rather than towards, liability under the article on the facts of the present case. It is not sufficient to show (even if Whirlpool could) that Kenwood has obtained an advantage. There must be an added factor of some kind for that advantage to be categorised as unfair. It may be that, in a case in which advantage can be proved, the unfairness of that advantage can be demonstrated by something other than intention, which was what was shown in *L'Oréal v Bellure*. No additional factor has been identified in this case other than intention.

137. The question of unfair advantage has to be considered in the round, using a global assessment as indicated in *Intel* in paragraph 79 of the Court's judgment. As Advocate General Sharpston said at paragraph 65 of her Opinion in *Intel*, unfair advantage is the more likely to be found if the mark is more distinctive and if the goods or services are more

similar. The Board of Appeal in Mango [First Board of Appeal of the Office for the Harmonisation of the Internal Market, Mango Sport System SRL v Diknah SL Case R 308/2003-1] also said that unfair advantage is the more likely where there is greater similarity of goods as well as where the mark is more distinctive, but that was a case where the mark was identical, and strongly distinctive, and the goods were not the same but they were in an associated or overlapping field. The Court in L'Oréal v Bellure also referred to the importance of the strength of the reputation of the mark, and the strength of the reminder, reiterating what had been said in Intel. Here, although the relevant goods are very similar (even identical if one is considering the category stand mixers), the mark is distinctive, but not strongly so, nor is the reminder strong. That is therefore another pointer away from unfair advantage. At paragraph 66 of her Opinion in Intel Advocate General Sharpston referred to the question whether the association of the earlier mark would enhance the performance of the later sign in the use made of it. That is another way of putting the proposition that the alleged infringer must draw some advantage from the use of a similar mark or sign. In L'Oréal v Bellure the third party's advantage had been established; here it is very much in issue."

43. While intention to draw advantage from the similar mark is not conclusive of unfairness, it is an important factor in determining whether the use of the mark would take unfair advantage.

44. More recently, in *L'Oreal SA v. Bellure NV* [2010] EWCA Civ. 535, Jacob LJ with whom the other members of the Court of Appeal agreed made the following observation on the judgment of the ECJ in *L'Oreal*:

49. Turning to the substance of the point, the ECJ's reasoning runs thus:

(a) Art. 5(2) applies to same mark/same goods case, see cases cited at [35];

(b) If a "link" in the mind of the public is established between the sign complained of and the registered mark, then there may be Art.5(2) type infringement;

(c) For such infringement it is necessary to show one of the types of injury against which Art.5(2) is directed, namely detriment to distinctive character, detriment to the repute of the mark or unfair advantage taken of the distinctive character or repute of the mark – see [36-38].

(d) The court explains the first two types of injury a little more in [39-40]. It is not necessary to go into these here because of the factual findings of no blurring and no tarnishment. What matters is its explanation of the third type – unfair advantage. Here is what it says:

[41] As regards the concept of 'taking unfair advantage of the distinctive character or the repute of the trade mark', also referred to as 'parasitism' or 'free-riding', that concept relates not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign. It 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.

[49] ... where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark.

So far as I can see this is saying if there is "clear exploitation on the coat-tails" that is ipso facto not only an advantage but an unfair one at that. In short, the provision should be read as though the word "unfair" was simply not there. No line between "permissible free riding" and "impermissible free riding" is to be drawn. All free-riding is "unfair." It is a conclusion high in moral content (the thought is clearly that copyists, even of lawful products should be condemned) rather than on economic content.

50. As I have said I do not agree with or welcome this conclusion – it amounts to a pointless monopoly. But my duty is to apply it. For by the use of the comparison lists there is clearly free-riding of the sort condemned by the Court. So if it had been necessary I would have held that there was also Art. 5(2) infringement.

45. Although that observation was *obiter*, since the Court of Appeal had concluded that there was infringement on other grounds, it is the clearest statement since *L'Oreal* in the European Court of Justice of how far the UK courts regard the ECJ as having gone in providing protection against intentional free-riding even if it does not cause damage to a proprietor's reputation or mark.

46. One of the difficulties with the *L'Oreal* approach is that it focuses considerable attention on the objectives of the user of the sign (or applicant for registration), not only on its impact on the proprietor's mark. Another is that the concept of intentional coat-tail riding leaves

considerable latitude to tribunals to determine precisely where in any given case the boundaries are to be drawn. That gives rise to potential uncertainty.

47. However, I am not as persuaded as Jacob LJ that the European Court of Justice intended in its judgment to write out the requirement that the use in question should be unfair. For example, it is possible to envisage situations in which a user of a mark intentionally uses a sign and the use of it, objectively viewed, provides an advantage but the user does not intend to take advantage of a proprietor's registered mark. He may intend other results (such as for example signalling that there goods or services are similar or have similar characteristics). In such a situation, a role may remain for the concept of unfairness in excluding from liability free riding which in fact takes place but which is an unintended consequence of some other purpose.

48. Notwithstanding these difficulties at the margins, in general the touchstone of liability is a finding of a clear exploitation of the coat-tails of the earlier mark.

Bad Faith - section 3(6)

49. Delineating the boundaries of "bad faith" with precision has proved no easier. There has been resistance to further definition than the legislation provides, both in the UK and at the European Court of Justice.

50. In *Gromax Platiculture v. Don & Low Nonwovens Ltd* [1999] RPC 367, Lindsay J declined to define bad faith in the context of section 3(6), saying

"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...how far a dealing must fall-short as to amount to bad faith is a matter best left to be adjudged...by reference to the words of the Act and upon a regard to all material surrounding circumstances."

51. In *VISA International Service Association* Decision of 28th September 1999, Geoffrey Hobbs QC, sitting as the Appointed Person referred to *Gromax* and said:

"These observations recognise that the expression "bad faith" has moral overtones which appear to make it possible for an application for registration to be rendered invalid under section 3(6) by behaviour which otherwise involves no breach of any duty, obligation, prohibition or requirement that is legally binding on the applicant. Quite how far the concept of "bad faith" can or should be taken consistently with its Community origin in Article 3(2)(d) of the Directive is a matter upon which the guidance of the European Court of Justice seems likely to be required".

Guidance from the ECJ on bad faith

52. Guidance on how far the concept of bad faith could be taken was obtained from the ECJ in *Chocoladenfabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*, Case C-529/07. The Hearing Officer did not have the benefit of the ECJ's Judgment of the ECJ in *Linde* nor did he address explicitly the Advocate General's opinion which had been delivered shortly before he gave his Decision. In that case, the Court held, in relation to the similar bad faith provisions in the Community Trade Mark Regulation that:

"... in order to determine whether the applicant is acting in bad faith within the meaning of Article 51(1)(b) of Regulation No 40/94, the national court must take into consideration all the relevant factors specific to the particular case which pertained at the time of filing the application for registration of the sign as a Community trade mark, in particular:

- the fact that the applicant knows or must know that a third party is using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought;*
- the applicant's intention to prevent that third party from continuing to use such a sign; and*
- the degree of legal protection enjoyed by the third party's sign and by the sign for which registration is sought."*

53. As the Court of Appeal said in *Hotel Cipriani v. Cipriani (Grosvenor Street)* [2010] EWCA Civ. 110, referring to *Lindt*, *"attention is to be focused on the position at the time of the application for registration, and the intention and state of mind of the applicant at that time, although they are subjective factors, are to be determined by reference to the objective circumstances of the particular case"*.

54. While it provides some assistance, the judgment of the ECJ in *Lindt* only provides guidance to a national court at a relatively high level of generality as to what factors may be taken into account in determining whether an applicant was acting in bad faith.

55. Knowledge on the part of the applicant of an opponent's mark is an important factor but there is nothing in the ECJ's judgment to suggest that if all that is present is knowledge of an opponent's mark of an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought, that would suffice to make out a case of bad faith. The applicant's intention to prevent the opponent from using its mark is also relevant. But there is no real guidance as to the position where the applicant intends to use a third party's mark and deliberately adopts it intending to benefit the applicant albeit without affecting the opponent's business in any way.

56. The ECJ's judgment in *Lindt* does not fully answer the question of where the boundaries of good faith lie. Nor is it reasonable to expect it to do so. The ECJ's judgment requires that the national court take all the circumstances into account, without indicating the priority to be given to which circumstances. That is for the national court. There is, however, nothing in the ECJ's judgment to indicate that bad faith should be lightly found or that the mere adoption, without more, of a mark known to be in use by another in an unrelated field constitutes bad faith.

57. Delineating the boundaries of bad faith must also take into account the fact that there are specific provisions in the 1994 Act preventing registration of marks the use of which is likely to be detrimental to an earlier proprietor's rights or which take advantage of the reputation of earlier marks (section 5(3)). That itself limits the justification for deploying the bad faith provisions lightly.

58. Thus, *VISA* was a case in which the applicant was alleged to have adopted the mark "with the deliberate intention of exploiting the reputation enjoyed by [Visa International] in "the trade mark VISA]". As Mr Hobbs said, this was an allegation which could serve to reinforce the objections made in that case under section 5(3) and section 5(4)(a). Mr Hobbs said:

"I doubt that the alleged intention would be sufficient to sustain an objection under section 3(6) if it was insufficient to sustain an objection under section 5(3) or section 5(4) in a case such as the present. I say that because the present case in which freedom from objection under section 5(3) and section 5(4)(a) would imply that the Application actually lacked the capacity to give effect to the alleged intention."

59. Although not purporting to establish a rigid rule, Mr Hobbs there drew attention to the fact that section 3(6) was (if anything) harder to satisfy than sections 5(3) or 5(4). I agree and consider that it is likely to be rare for an objection based on an intention to exploit an earlier mark's reputation to succeed under section 3(6) in circumstances where it had been held that the mark was unobjectionable under sections 5(3) or 5(4).

60. In *VISA*, Mr Hobbs held that the use of the word VISA as a trade mark for the applicant's products (condoms) would have a substantially detrimental effect upon the distinctive character of Visa International's earlier trade mark. He could see no justification for permitting the applicant to register a trade mark which would when used "*burden Visa International's own use of its earlier registered trade mark with connotations of birth control and sexual hygiene that would alter perceptions of the mark negatively from the point of view of a provider of financial services in the position of Visa International*". He therefore upheld the Assistant Registrar's objection under section 5(3) of the Act. However, he rejected the objection based on unfair advantage on the footing that the evidence did not establish that sufficient unfair advantage would be taken (see p.38).

61. In my view, it would not be appropriate in an appeal of this nature to attempt firmer definition than the European Court of Justice has been able to supply for the concept of bad faith,

desirable though it may be for the boundaries of permissible conduct to be more clearly articulated in the context of registration.

62. In an evaluation of bad faith, there is an element of “you know it when you see it”, much though a test of that kind risks difference of perspective. Application of the *Reef* principles in this area should, in my judgment, lead to particular caution in reversing a decision of a Hearing Officer on an issue of this kind. Where a Hearing Officer has sought to adopt the perspective of reasonable business-people and has not condemned the conduct complained of as bad faith, there is a reason for an appellate tribunal to be particularly cautious in taking a different view.

63. With that brief overview of the law, I turn to the application to the facts of the case.

APPLICATION OF LAW TO THE FACTS

Section 5(3)

Comparison of the marks

64. The Hearing Officer addressed the comparison of the marks in paragraphs 33 to 35 of the Decision and held that the marks were “similar to a very high degree”. He was plainly right and Socks World does not contend otherwise on this appeal.

Link

65. The Hearing Officer went on to consider whether a “link” would be made between the respective marks, having regard to the principles set out by the ECJ in the *Addidas-Salomon* and *Intel* cases. He analysed the *Intel* factors including the nature of the goods and services (which he held to be “quite different”), the distinctive character of the mark (which he held to be “very high”), the existence of a likelihood of confusion (where he held that no confusion was likely, having regard to the dissimilarity of the goods). He concluded that, notwithstanding this dissimilarity, “*Beko*’s marks will be brought to mind when *Socks World*’s mark is encountered” and held that a link exists, in the sense described by the European Court of Justice. He was again, right and Socks World does not contend otherwise on this appeal.

66. The Hearing Officer rightly appreciated that the real issue in this case was whether or not there was a relevant detriment or whether there was unfair advantage.

Detriment

67. No appeal is made against the finding by the Hearing Officer that there would be no relevant detriment as a result of the use of the mark applied for. That is an important point for the section 5(3) objection and the section 3(6) case because BEKO thereby acknowledges that the use by the applicant of the mark in question would have no material adverse impact on BEKO’s earlier registered marks.

68. This case is therefore unlike *VISA* (for example) where both the Hearing Officer and the Appointed Person concluded that there would be detriment to the earlier marks within the meaning of section 5(3). The argument in this case is purely focussed on unfair advantage.

The appeal on unfair advantage

69. BEKO puts its argument on this appeal under this head in two ways.

70. First, it contends that the Hearing Officer erred in failing to consider whether the mark applied for would take advantage of the existing reputation of the opponent's mark outside of a sporting context.

71. BEKO contends that in copying its mark, Socks World rides on the coat tails of the mark more generally and thereby benefits from the power of attraction, reputation and prestige of that mark, exploiting the marketing effort of the Opponent in creating and maintaining the mark's image. It is said that this power of attraction, reputation, prestige and image all relate to the mark being a well known large brand recognisable on the high street.

72. Second, it advances a narrower case contending that the reasoning of the *TDK* case (*Aktieselskabet af 21. November 2001 v. OHIM (TDK Kabushiki Kaisha (TDK Corp) intervening, T-477/04)*) applies, because of the specific sports reputation of the BEKO brand. It is said that the Hearing Officer failed to take this into account.

Unfair advantage - sporting reputation

73. It is convenient to address this second, narrower, case first of all and then return to the wider ground of appeal.

74. The Hearing Officer's Decision, doubtless reflecting the nature of the argument before him, focussed on the claim that the BEKO marks had a positive sporting image which had resulted from its sports related initiatives (Decision, paragraph 40). Having referred to the *TDK* case, he concluded that, while BEKO had advertised in a sporting context, this did not of itself create any particular sporting image with which the brand will be associated.

75. I have been unable to identify any error of law or approach in that finding by the Hearing Officer. Although reasonable people may differ as to whether the activities of BEKO in sports sponsorship (and in particular as the shirt sponsor of Millwall) generated a sufficient sporting image, the Hearing Officer was entitled to conclude that they did not and that, as he said, the advertising does not in itself create any particular sporting image with which the brand will be associated. In those circumstances, the Hearing Officer was entitled to conclude that BEKO had not shown that there was sufficient likelihood of detriment to the reputation it had established.

76. In my view, the focus on the sporting image alone does not quite hit the target. The heart of the objection is that, just as in the *TDK* case, the applicant has sought to register, inter alia, for

shirts, the identical mark of the *shirt* sponsor of a football club. Seen in that way, what may matter more than the sporting connection is the connection with clothing that the sponsorship of the Millwall club has produced.

Unfair advantage – non-sporting reputation

77. Central to this appeal is the claim by BEKO that the Hearing Officer did not adequately analyse the case advanced based on advantage taken of the BEKO marks in respect of *non-sporting* goods. In paragraph 50 of the Decision, he said:

“I have already found that there is nothing in the evidence to suggest that Beko’s goods have any reputation for high quality or that they are sought after or desirable. However, Beko’s claim is based not on this but on its positive sporting image that has resulted from its sports related initiatives.”

78. In my judgment, BEKO is justified in saying that the case based on the reputation enjoyed by BEKO in respect of its household goods was not sufficiently analysed by the Hearing Officer. As I understand BEKO’s argument, it was not based only on its positive sporting image but on its reputation more generally. Although the Hearing Officer said (in paragraph 55 of the Decision) that Socks World will not borrow any particular image “be it sporting or otherwise” such that its job of marketing its goods is made easier, I am not satisfied that this observation was sufficiently based on an analysis of the non-sporting reputation upon which BEKO relied.

79. The Hearing Officer could not have undertaken the assessment on the basis of the approach set out in the judgment of the European Court of Justice or the observations of the Court of Appeal in *L’Oreal* which, at the stage of his Decision, had not been given. Those decisions, it may be said, entitle the tribunal to give greater weight to the evidence relating to an intention on the part of the applicant to benefit from the reputation of the earlier mark. In those circumstances, while bearing the *Reef* principles in mind, it is right to adopt somewhat more latitude as an appellate tribunal in the review of the Decision than would be the case had the law remained completely unchanged.

80. Ultimately, the question is whether it was established on the evidence that the use by Socks World of the mark proposed to be registered would obtain an advantage by benefitting from the power of attraction, the reputation and the prestige of BEKO’s mark and to exploit BEKO’s marketing effort without making any such efforts of its own, without compensation for any loss caused to BEKO, or for the benefit gained by Socks World. That requires an overall assessment of the evidence on that issue, including any challenges made to provide explanations for adoption of the mark in question and the explanations given (or not given).

81. In my judgment, this is one of the (doubtless infrequent) cases in which the answer to the question is, yes. In drawing that conclusion, the factors to which I attribute greatest weight are the virtual identity of the respective marks having particular regard to the specific font and

design chosen which is inadequately explained. Second, the fact that it is not possible to think of any other reason for adoption of that specific mark than to signal a connection with BEKO and its marks. This is not, therefore, a case in which the applicant has provided an alternative plausible explanation for the application for the mark in precisely the form in question. In some circumstances, it is easily possible to show that purpose of adopting the mark is not significantly to benefit from the earlier mark's power of attraction as a trade mark but (for example) that the mark is a desirable one to be used for the proprietors goods just as much as the opponents or that the common features of the marks are there to signal common features of the goods or services.

82. In addition, although this is not a case as clear as *TDK* in which, as the Hearing Officer noted, there was sponsorship of high profile football clubs and world famous events as a result of which the opponent *TDK* had built up a "special image", I find it harder than the Hearing Officer (cf. paragraph 54 of the Decision) to draw a clear line between that case and this one as regards the attempt to ride on the coat tails of the shirt sponsor's mark.

83. It may be that BEKO has less reputation to exploit than TDK and its marketing initiatives have been less remarkable but it does not seem to me to follow that there is not likely to be the same kind of exploitation of the earlier mark as there was in *TDK* or that it is a requirement of section 5(3) that the reputation of the earlier mark of which advantage is taken should be particularly special. Moreover, it is true that the fields of clothing and white goods are respects remote, but what has brought the fields closer together in this case (as in *TDK*), is the specific association by BEKO of its mark with sports *clothing* by way of its acting as the shirt sponsor of Millwall.

Conclusion on section 5(3)

84. There is nothing in *L'Oreal* in the Court of Appeal or *Whirlpool* which suggests that it is desirable as a matter of policy that section 5(3) should be given an expansive interpretation. It is right to emphasise again here that section 5(3) is not intended to have the sweeping effect of preventing the registration of any mark which is the same as or similar to a trade mark with a reputation nor to make it automatically objectionable for the use of one trade mark to remind people of another (see *VISA*, p38). That is particularly so where the marks in question are, by their nature, such as to be desirable for use by traders in very different fields (the *Ever Ready* case is an example of such).

85. However, in my view, on the particular and rather unusual facts of this case, the Hearing Officer should have upheld the section 5(3) objection. I have considered whether the application of the *Reef* approach requires me nonetheless to uphold the Hearing Officer's Decision and have concluded, albeit with some hesitation, that it does not. Notwithstanding the clear and careful reasoning of the Hearing Officer, it would be right to allow the appeal on the basis of section 5(3).

BAD FAITH

86. In the light of my conclusion, it is not strictly necessary to consider the section 3(6) objection and I will give my reasons briefly for the conclusion I have reached. It is convenient to address the factors particularly mentioned by the European Court of Justice in *Lindt*.

Knowledge on the part of the applicant

87. The evidence shows that Socks World knew of BEKO's trade mark and, specifically, that the mark appeared on sports clothing (in particular football shirts).

Intention to prevent the third party from continuing to use the sign

88. In my judgment it is not established on the evidence that the applicant intended to prevent BEKO from using the sign itself. Nor, as the Hearing Officer noted, is there any evidence that Sports World intended to use the mark so as to extract money from BEKO.

Degree of legal protection enjoyed by the third party's sign and the sign for which registration is sought

89. It is not clear from the European Court of Justice's judgment how the relevant tribunals are to assess the "degree of legal protection" enjoyed by the third party's sign. For the reasons given by the Hearing Officer, the degree of protection of BEKO's marks is not particularly high. It is a high street brand but it is not one of the most well-known brands. In my view, this is not a factor of particular weight in this case.

Other relevant factors

90. I have already determined that there was evidence, which was not adequately answered, that Socks World adopted the mark in knowledge of BEKO's marks and did so with the intention of trading off BEKO's reputation. To that extent, I have disagreed with the Hearing Officer. I am not, however, persuaded that such is either a necessary or sufficient for a finding of bad faith under section 3(6).

Conclusion on bad faith

91. Having regard to the conclusion I have reached on the section 5(3) objection and the conclusion reached by the Hearing Officer, in my view, the section 3(6) objection does not add to the section 5(3) objection and would not disturb the Hearing Officer's conclusion on that issue.

OVERALL CONCLUSION

92. This appeal will be allowed on the basis of the section 5(3) objection.

COSTS

93. Neither party made specific submissions on costs. In the Hearing Officer's Decision he ordered BEKO to pay £1500 costs to Socks World International Limited. It seems to me that the correct order is that that order should be discharged and Socks World International Limited should pay BEKO the sum of £1500 in respect of the proceedings before the Hearing Officer. The costs before me were somewhat reduced by the fact that no representatives of Socks World attended the hearing and I was invited to consider its arguments on paper which I have done. That may have reduced the work required on this appeal. This is a somewhat unusual case in which my decision has partly been based on developments in the law which have taken place since the Decision (and even, to some extent, since the oral hearing of this appeal).

94. Taking all these factors into account and having regard to the scale, I therefore order that Socks World should pay an additional £500 by way of contribution to the costs of this appeal making a total payment by way of costs from Socks World International plc to BEKO of £2000. In the circumstances I order that this sum should be paid within 28 days.

Daniel Alexander QC

20 August 2010