

O-347-14

**TRADE MARKS ACT 1994**

**TRADE MARK REGISTRATIONS 2440955A AND 2440955B**

**IN THE NAME OF DOTCOM RETAIL LIMITED**

**AND**

**APPLICATIONS 84544 AND 84545**

**BY eBAY, INC.**

**FOR THE REGISTRATIONS TO BE DECLARED INVALID**

## Background and pleadings

1. This case concerns applications 84544/545 by eBay, Inc. (“eBay”) filed on 22 August 2012 to have trade mark registrations 2440955A and 2440955B, standing in the name of Dotcom Retail Limited (“Dotcom”), declared invalid and cancelled. Registration ‘955A is for a series of two marks consisting of BEAUTY BAY and BEAUTYBAY. Registration ‘955B is for the mark BEAUTYBAY.COM.

2. The marks are registered for:

### Class 3

Fragrances and perfumery; toiletries and personal care products; soaps, shampoos, conditioners; hair care preparations; skin care preparations; cosmetics; sun care and sun tanning preparations; essential oils.

### Class 35

Retail services connected with the sale of fragrances, perfume, toiletries, cosmetics, soaps, shampoos, hair care preparations, skin care preparations, essential oils, sun care and tanning preparations.

3. The applications to register the BEAUTYBAY marks were filed on 8 December 2006. The marks were entered in the register on 24 August 2007, i.e. 2 days short of 5 years before the date of eBay’s applications for invalidation.

4. eBay is the owner of the following earlier trade marks.

- (1) UK Registered Trade Mark No. 2185144 filed on 22 December 1998 for the mark:

**EBAY**

in respect of various services in Class 35.

- (2) Community trade mark registration No. 1029198 filed on 24 December 1998 for the mark:

**EBAY**

in respect of various goods/services in Classes 14, 16, 25, and 35.

- (3) Community trade mark registration No. 1028398 filed on 24 December 1998 for the mark:

The image shows the eBay logo in a stylized, bold, black font. The letters are lowercase and have a distinctive, rounded, and slightly irregular appearance, characteristic of the eBay brand identity.

in respect of various goods/services in Classes 14, 16, 25, and 35.

- (4) UK Registered Trade Mark No. 2185146 filed on 22 December 1998 for the mark:



in respect of various services in Class 35.

5. For the purposes of these applications, eBay relies on the registration of these marks for the following services in class 35:

**UK registration Nos 2185155 and 2185146**

“Providing an online, interactive bulletin board for the posting promotion, sale and resale of items via a global computer network.”

**Community trade mark registration Nos 1029198 and 1028398**

“On-line trading services”

6. eBay asks for Dotcom’s marks to be declared invalid under s.47(2) of the Trade Marks Act 1994 (“the Act”) because registration of the marks was contrary to:

- Section 5(2)(b); there being a likelihood of confusion as a result of the similarities between the parties’ marks, and the identity or similarity between the respective services/goods.
- Section 5(3); Dotcom’s marks being liable, without due cause, to take unfair advantage of the reputation of eBay’s marks, or to be detrimental to their repute or distinctive character.
- Section 5(4)(a); the use of Dotcom’s marks being liable to be restrained under the law of passing off.

7. Dotcom filed a counterstatement denying the claims made and requesting that the opponent provides proof of use of its earlier trade marks. The gist of Dotcom’s defence was that:

- eBay’s marks are perceived by consumers as the single word EBAY.
- The word ‘bay’ is a common English word and not strongly distinctive of eBay.

- BEAUTYBAY/BEAUTY BAY connotes the idea of a 'BAY' or storage area within a warehouse that contains beauty products, and would be viewed as a whole with no particular emphasis on 'BAY'.

8. Further, Dotcom says that eBay is not entitled to apply to invalidate its marks because it has been aware of the use of those marks for a continuous period of 5 years and has acquiesced in their use. Consequently, eBay is prevented by s.48(1) of the Act from applying for invalidation.

9. Both sides seek an award of costs.

### **The Hearing**

10. A hearing was held on 21 May 2014 at which eBay was represented by Ms Emma Himsworth QC, instructed by Stobbs, and Dotcom was represented by Mr John Baldwin QC, instructed by Kuit Steinart Levy LLP.

### **eBay's evidence**

11. The evidence from eBay is in the witness statements of Ms Tolero, Mr Stobbs, Mr Felman and Ms Leavitt.

12. Ms Valente Tolero, is a Global Intellectual Property Paralegal at eBay. Mr Stobbs is the principal Trade Mark Attorney at Stobbs. Mr Felman is the Chief Marketing Officer at MarkMonitor, a global provider of online brand protection services for enterprises, including eBay. Ms Leavitt is the Director, Global Intellectual Property at eBay.

13. The evidence shows that:

- eBay was founded in 1995.
- The name eBay was chosen by the founder of the company, a Mr Omidyar, without it having any intended meaning<sup>1</sup>.
- eBay started registering users from the UK on 23 March 1996 via its website www.ebay.com and on 27 January 1997 via its website at www.ebay.co.uk<sup>2</sup>.
- In 1996 eBay had 12000 UK users. By 2006 eBay had 133 million registered users worldwide of which 43 million were registered in the EU and 12 million of those were in the UK.

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<sup>1</sup> Leavitt, paragraph 6

<sup>2</sup> Tolero, paragraph 9

- Prominent use of the EBAY marks has taken place, not only on the eBay website, but also on signage, promotional and advertising materials<sup>3</sup>. In use on the website the mark usually takes one of these forms:



- Between 2002 and 2006, over US\$ 21 billion worth of products were bought and sold on EBAY by UK residents<sup>4</sup>.
- The EBAY site was originally an on-line auction for new and second hand goods. However, by 2006 36% of the goods were sold at fixed prices<sup>5</sup>.
- On the website at www.ebay.co.uk there are 9 categories of goods, one of which is 'Jewellery and Beauty'. Numerous products in the health and beauty category were available in the UK on eBay's .co.uk website in 2006<sup>6</sup>.
- The individual entries on pages from eBay's UK website in 2007 show that many items offered for sale through online auctions were priced to sell at well below the retailer's recommended price, and that a proportion of the goods (all priced in pounds sterling) were being sold by sellers from outside the EU<sup>7</sup>.
- A book called 'eBay for Dummies' has been published in the UK since 1999. The 7<sup>th</sup> edition, published in 2012 records that "eBay is the world's #1 shopping and selling site, where millions find bargains and make money with their own sales"<sup>8</sup>.
- Between 2002 and 2006, trade in Health and Beauty products in the UK increased substantially, from over US\$1m in 2002, to \$35m in 2004 to over \$145m in 2006<sup>9</sup>.
- eBay sells its own merchandise from theeBayshop.com. However, the copies of pages put forward to establish this are dated after the relevant date and show only goods priced in \$US<sup>10</sup>.

<sup>3</sup> Tolero, paragraph 21

<sup>4</sup> Tolero, paragraph 13

<sup>5</sup> Tolero, exhibit VT-6, pages 235 and 236, and exhibit VT-9, page 277

<sup>6</sup> Stobbs, JEBS-1

<sup>7</sup> Stobbs, JEBS-1, see, for example, pages 5, 6, 7, 8, 23, and 24

<sup>8</sup> Stobbs, JEBS-2

<sup>9</sup> Leavitt, paragraph 10

- eBay spent US\$350m in 2006 alone advertising and promoting its business in the EU, a “large proportion” of which was directed at the UK<sup>11</sup>.
- EBAY has consistently featured in the Interbrand ranking of the world’s top 100 brands: in 2006 it was ranked 47<sup>th</sup>. EBAY was ranked 4<sup>th</sup> in the retail section of the 2006 BRANDZ report of ‘The World’s Most Powerful Brands’ with a brand value of over US\$13 billion<sup>12</sup>. The “upward trajectory” of the EBAY brand has continued: the 2012 Interbrand report ranked EBAY as the world’s 36<sup>th</sup> top brand.
- In 2011, an independent report by Lansons Communications and Opinium rated EBAY as 42<sup>nd</sup> amongst the UK’s 50 most trusted brands<sup>13</sup>.
- eBay “enables customers to evaluate the quality of a prospective product and online transaction by offering up to date ratings and reviews of sellers, buyers, and the products being offered”<sup>14</sup>. eBay also offers verification and authentication services to help prevent misuse of EBAY by buyers and sellers<sup>15</sup>.
- eBay is often referred to by the press and on websites such as BBC News without the need for further explanation. This was also the case in 2006<sup>16</sup>.
- Alexa, a brand analytics company, reports that the ebay.co.uk website is the 6<sup>th</sup> most visited website in the UK<sup>17</sup>.
- Many traders, including high end retailers, have established ‘storefronts’ or ‘special stores’ on EBAY, including Argos, Dyson, House of Fraser, Karen Millen, Timberland and Calvin Klein<sup>18</sup>.
- eBay is aware that other traders sometimes use the term BAY in a non-descriptive manner in order to take advantage of EBAY’s reputation. Enforcement is regarded as a perpetual task. However, some companies, Coffee Bay, Furniture Bay, Invite-Bay and Sticker Bay have ceased using those names<sup>19</sup>.

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<sup>10</sup> Stobbs, JEBS-3

<sup>11</sup> Tolero, paragraph 15

<sup>12</sup> Tolero, paragraph 17 and exhibit VT-7

<sup>13</sup> Tolero, paragraph 17 and exhibit VT-7

<sup>14</sup> Leavitt, paragraph 13

<sup>15</sup> As above

<sup>16</sup> Tolero, exhibit VT-9

<sup>17</sup> Felman, exhibit FF-5

<sup>18</sup> Leavitt, paragraph 12 and exhibits AI-2 and AL-3

<sup>19</sup> Leavitt, paragraph 14

## Dotcom's evidence

14. Dotcom's evidence takes the form of a witness statement from its founder, Mr David Gabbie. Mr Gabbie was cross examined on his evidence at the hearing in relation to the issues of:

- His reasons and intentions in adopting the BEAUTYBAY mark;
- His subsequent use of the marks;
- Whether he had due cause to use the marks;
- Whether the marks are linked with eBay's mark;
- Whether there is unfair advantage of, or detriment to, eBay's mark.

15. Mr Gabbie's written evidence was that:

- He is the Joint Managing Director and founder of Dotcom, which owns the trade marks and licences them to Beautybay.com Limited.
- His father was in the retail trade and traded as Stationery Box. He decided to follow his father into the retail trade. His father sold non-branded homeware products, but he realised that he needed to sell branded products in order to make a success of his proposed on-line sales business.
- In 1999 he decided to sell branded fragrance products on-line. The idea was to sell products lawfully obtained in the grey market for cheaper prices than they could be purchased in retail stores.
- He researched the domain names that were available and found that Fragrance Box and Fragrance Care were not available, so he settled on FRAGRANCEBAY. FRAGRANCE identified the products he intended to sell and the "descriptor" BAY was used because it was thought to be a way of "describing the place where goods are kept or displayed or a place where goods are sold".
- In this connection, Mr Gabbie cites 'shelving bays' as a place in warehouses where goods are stored, 'High Bay warehouses', being warehouses that have an unobstructed working height of 12 metres or more, 'loading bays', 'cargo bays' on aircraft, car 'bays' at service and repair centres, and the end of aisle display unit in a retail store, which is known as a 'gondola end bay'.
- He incorporated the company Fragrancebay.com Limited in 1999 and in 2000 started trading from the site fragrancebay.com.

- He had heard of eBay in 1999, but he did not make any connection between that name and Fragrancebay.
- He received an email from someone acting for eBay in 2003 warning that the use of the domain name fragrancebay.org in the ecommerce field would most likely infringe eBay's rights, but he did not think that the complaint was well founded and heard nothing more.
- As his product lines diversified a new name was required which better covered the growing range of products. The domain name 'beautybay.com' was therefore registered in October 2002. In October 2005, the business conducted on the fragrancebay.com site was moved to the beautybay.com site.
- The branding on the new site looked like this in 2005<sup>20</sup>.



- Fragrancebay.com limited applied to register the trade marks at issue in 2006, but assigned them to Dotcom in April 2009.
- Products sold via the beautybay site are promoted in ways in keeping with the high end brands offered on the site. Images of the products are shot in a professional studio and presented in a standard professional format. By contrast, eBay simply provides a site for others to trade on. There is no control over the way in which products are presented or shipped.
- The majority of Dotcom's advertising is through sponsored Google AdWords, and this has been its strategy throughout the world. A search on BEAUTYBAY on Google brings up Dotcom's website as the first hit but does not bring up the EBAY website<sup>21</sup>.

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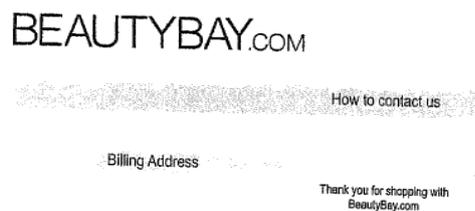
<sup>20</sup> From exhibit DG5

<sup>21</sup> See paragraph 19 of Mr Gabbie's statement and exhibit DGH9

- In 2007/2008 the Beautybay business expanded into Scandinavia and the USA. The logo used at the time looked like this<sup>22</sup>.



- The logo currently in use by Dotcom looks like this<sup>23</sup>.



- On the home page of the Beautybay website, the word BAY is now presented in the same size font and colour as the word BEAUTY (although, as can be seen above, the name still appears as BeautyBay.com in the text used beneath the logo, and also appears in that form in the title for the BeautyBay website when it is retrieved as a 'hit' in the list of internet search results).
- Beautybay is “now” (Mr Gabbie’s statement is dated in 2013) an authorised distributor for nearly all the products sold on the site as opposed to the grey market goods sold on the Fragrancebay site. Sales in the UK have increased from £750k in 2006 to £4.3m in 2012. Visits from UK visitors increased from 64k in 2006 to 273k in 2012.
- Beautybay targets high end consumers of beauty products, whereas anyone can sell any products of any quality on eBay.
- The Beautybay site has 310k followers on Facebook and 15k followers on Twitter.
- He understood the “E” in EBAY to stand for ‘electronic’ (like e-commerce or email) and that ‘bay’ was “a reference to retail bays or the San Francisco bay area where eBay originated”.

<sup>22</sup> See Exhibit DG8, final page

<sup>23</sup> See Exhibit DG6

- He had understood EBAY to be an online auction site, although he understands from eBay’s Annual Report for 2006<sup>24</sup> that 36% of transactions on eBay were by then ‘fixed price’ sales.
- EBAY was still regarded primarily as an auction website in 2006: Mr Gabbie exhibits a copy of an article from The Guardian dated 9 October 2006 which refers to eBay as an auction website<sup>25</sup>.
- eBay does not itself sell goods and is not therefore a competitor to Beautybay.
- Apart from operating its main ‘auction’ site, eBay operates other internet sites, one of which is called shopping.com. Third party trade sellers, including Dotcom, use this site to attract business. Mr Gabbie points out that eBay put Beautybay forward on the shopping.com site as an independent reference<sup>26</sup> suggesting that it did not consider that Dotcom’s marks were damaging to EBAY.
- Dotcom’s suppliers have made it clear that they would stop supplying it with their products if they are sold via EBAY<sup>27</sup>. L’Oreal and LVMH, “have made it clear that, even though they know we are not connected with eBay, if they think that consumers think there is an association with eBay, they will not supply us”.
- He is unaware of any confusion with EBAY and thinks that if there had been any it would have been brought to his attention by those in his company.
- An internet search (conducted in 2013) identified 55 websites that use the word ‘bay’ in ways which Mr Gabbie considers to be similar to Dotcom’s use. He mentions, in particular:
  - thepiratebay.sx (“a notorious website offering download services”)
  - eastbay.com (“a global online retailer”)
  - flashbay.co.uk (“a site selling flash memory data storage devices”)
  - bikini-bay.com (“a US and Canadian bikini retailer”)
  - Komputerbay.com (“an online retailer”)
  - thebay.com (“a website owned and operated by Hudson’s Bay”, a Canadian clothing retailer”)
  - thebooksbay.com (“a website offering ebooks for download”)

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<sup>24</sup> Exhibited as DG16

<sup>25</sup> Exhibit DG17

<sup>26</sup> Exhibit DG20

<sup>27</sup> Exhibit DG21 consists of extracts from agreements with Elemis Ltd, Percy & Reed Products Ltd and FitFlop stating that selling via eBay or Amazon is prohibited or discouraged.

- Coffee Bay, Furniture\_Bay, Invite-Bay, Jewellery Bay and Sticker Bay operate as online stores/shops on EBAY.

### **Cross examination of Mr Gabbie**

16. Mr Gabbie was well prepared and answered questions directly. His answers closely reflected his written evidence. I accept his evidence that:

- In 1999, when the fragrancebay.com name was adopted, and in 2005, when the business conducted on that site was migrated to the beautybay.com site, he had not conducted research into the EBAY website.
- He regarded EBAY as an auction website rather than as a competitor retailing beauty products.
- Apart from a few products offered for sale on EBAY around 2004, neither Dotcom nor its predecessors have sold goods via EBAY.
- Dotcom's marketing strategy changed over time so that there became less emphasis on selling grey market goods at low prices and more on offering high quality products at competitive prices.
- He arranged for a block to be put on the beautybay.com website 6 or 7 months prior to the hearing in order to stop competitors crawling the site for prices rather than (as had been put to him) to stop the WayBack machine being used to reveal how the site had looked in the past.
- Dotcom's site has a good customer service record and documents showing that it received 254 negative reviews over a 12 month period did not undermine its generally positive customer service ratings.

17. I do not accept Mr Gabbie's explanation for adopting the word BAY in the marks fragrancebay and later beautybay. This is because I find Mr Gabbie's stated reason for adopting the word BAY to lack credibility His explanation is that the word is descriptive, or at least strongly allusive, of a place where goods are stored or sold. I accept that BAY is a part of well known terms, such as 'cargo bay', used to describe areas where goods are stored. However, this meaning does not explain why BAY was selected as part of marks for internet shopping sites. There is nothing in the dictionaries which supports Mr Gabbie's explanation that a BAY is also a place from where goods are sold. This point was put to Mr Gabbie in cross examination. Ms Himsworth gave him a copy of the relevant entries in the Oxford English Dictionary. The relevant exchanges then went like this.

Q. There is no part of the definition in here which is that a bay is a place where goods are sold?

A. No, but there is one that says bay, an opening in a wall, especially the space between two columns, which is what I understood a bay to be.

Q. But, Mr. Gabbie, you have said a place where goods are kept or displayed or a place where goods are sold. That is not in the definition for bay. Bay is a storage area on one definition ----

A. Yes.

Q. ---- It is a space between two pillars?

A. Yes.

Q. Like a cargo bay. It is not a place where things are sold, is it?

A. It is a connotation within the retail landscape of an area within a retail unit or a warehouse where goods are kept or stored.

Q. Mr. Gabbie, the types of bay to which you refer in your witness statement are all cargo bays, and the like. They are nothing to do with the type of bay that you get in an on-line store, are they?

A. The bay in an on-line store is -- you could say is a virtual bay. You have, in the retail world, obviously loading bays, high bay warehouses and, obviously, as I am sure you are aware, in the proceedings in Guernsey the officer agreed with me that it would denote a compound for storage of goods. I think, from my understanding, in terms of growing up on the retail landscape, that is what bays are referred to, an area within a shop where the goods were stored.

Q. Stored, but not from where they were sold though.

A. If they are stored there they are sold from there; they are taken from there to the till.

Q. There are storage areas of bays, but that is not consumer facing?

A. No, they were consumer facing, there is the gondola end bay, which is a consumer facing bay.

18. Mr Gabbie says that he was inspired by the experience of growing up in his father's retail business, but there is no evidence or, so far as I can see, even a specific suggestion that his father's business used BAY as the name of the space from where goods were sold. The only example he has provided of BAY being used in a retail context is the use of that word for display apparatus called 'gondola end bays'. Mr Gabbie does not claim to have had any firsthand experience of 'gondola end bays' in a retail environment. It is not even clear whether that name was in use in 1999 when the mark FRAGRANCEBAY was adopted (and which led to the subsequent adoption of BEAUTYBAY). Even if it was, and Mr Gabbie was aware of such use, a 'gondola end bay' is likely to be a term used between manufacturers of retail display apparatus and retailers. It is not a term that the general public were likely to be familiar with and it was they to whom the marks FRAGRANCEBAY and BEAUTYBAY(.COM) were intended to appeal. Mr Gabbie's reliance on the existence of 'gondola end bays' therefore appears to me to be an attempt to retrospectively

justify the adoption of the word BAY in Dotcom's marks rather than an explanation as to why that word was chosen as part of the marks at issue.

19. The use of BAY in third party marks and/or domain names seems to be a further matter relied upon by Mr Gabbie in order to retrospectively justify Dotcom's use of BAY rather than to explain it. There is no suggestion that Mr Gabbie was aware of these uses of BAY at the time when he adopted the mark FRAGRANCEBAY or BEAUTYBAY(.COM). Rather the third party uses identified appear to be relatively recent uses of BAY in domain names. Some of these names/marks may have been adopted for reasons specific to the undertaking concerned. For example, the use of 'thebay.com' by a retailer trading in the US and Canada under the name Hudson Bay is easy to understand. And I would be loath to place any weight on the legitimacy of the use of the domain name 'thepiratebay.sx', which Mr Gabbie himself says is a "a notorious website offering download services".

20. I accept that some of the others uses shown , such as Coffee Bay, Furniture\_Bay, Invite-Bay, Jewellery Bay and Sticker Bay, are potentially significant in that they may shed some light on the capacity of names of that kind to take unfair advantage of, or be detrimental to, the EBAY marks, but I do not think they shed any light on Mr Gabbie's reasons for adopting the mark FRAGRANCEBAY.COM in 1999 and the marks BEAUTYBAY/BEAUTYBAY.COM in 2005.

21. Mr Gabbie denied that Dotcom had emphasised the BAY element of its marks. He said that "our branding is all upper case, our website, our logo is upper case". However, it became clear that he was referring to the current situation. Ms Himsworth showed Mr Gabbie several examples of his previous company's FRAGRANCEBAY website dating from 2002 to 2004. These showed that during this period the words FRAGRANCE and BAY were either used in contrasting colours or, when used as part of the text on the pages of the site, were presented as 'FragranceBay'. Mr Gabbie accepted that EBAY is sometimes written as eBay<sup>28</sup>. Mr Gabbie said that the capital B in the middle of FragranceBay was because the name consisted of two words. However, Mr Gabbie offered no real explanation for the use of the heading 'clearanceBay' (i.e with a capital B for BAY, but a small C for CLEARANCE) during the period 2002-2004 on the fragrancebay.com website as a heading and as a link to the part of the site where 'priced to clear' items were offered for sale.

22. The examples cited above relate to the use of the earlier FRAGRANCEBAY mark, but similar highlighting of the word BAY in BEAUTYBAY is evident at least during the period 2005 to 2008<sup>29</sup>.

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<sup>28</sup>Indeed this is how Mr Gabbie himself referred to eBay in his written statement. The name seems to appear as eBay mainly when it is used as the name of the undertaking. The primary marks used on eBay's website are shown at the top of page 4 above.

<sup>29</sup> See Exhibits DG5 and DG8

23. I find that Dotcom and its predecessor in business did use the BAY element of its BEAUTYBAY marks in a contrasting colour to BEAUTY, or with capital Bs for BEAUTY and BAY, which had the effect of emphasising the word BAY in BEAUTYBAY. However, I accept that the emphasis placed on BAY reduced over the period between 2005 and 2013 as Dotcom's business became better established.

24. I find that the most likely reason why Mr Gabbie adopted marks ending in BAY was that he believed that the BAY element of his marks conveyed the idea of a place from where goods were sold. However, that belief was not based on any of the natural meanings of the word BAY. Rather, he believed it because the use of the mark EBAY for a successful online auction website had created that association in his mind.

### **The law on invalidation**

25. Section 47 of the Act (insofar as it is relevant) states that:

47(1) -

(2) The registration of a trade mark may be declared invalid on the ground-

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

(b) that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied, unless the proprietor of that earlier trade mark or other earlier right has consented to the registration.

(2A) But the registration of a trade mark may not be declared invalid on the ground that there is an earlier trade mark unless -

(a) -

(b) -

(c) the use conditions are met.

(2B) The use conditions are met if -

(a) within the period of five years ending with the date of the application for the declaration the earlier trade mark has been put to genuine use in the United Kingdom by the proprietor or with his consent in relation to the goods or services for which it is registered, or

(b) it has not been so used, but there are proper reasons for non-use.

(2C) For these purposes -

a) use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and

(b) use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes.

(2D) In relation to a Community trade mark or international trade mark (EC), any reference in subsection (2B) or (2C) to the United Kingdom shall be construed as a reference to the European Community.

(2E) Where an earlier trade mark satisfies the use conditions in respect of some only of the goods or services for which it is registered, it shall be treated for the purposes of this section as if it were registered only in respect of those goods or services.

26. Section 100 of the Act states that:

“100. If in any civil proceedings under this Act a question arises as to the use to which a registered trade mark has been put, it is for the proprietor to show what use has been made of it.”

27. All four of the earlier trade marks upon which eBay relies for the purposes of these applications were registered more than 5 years prior to the date of the applications to invalidate Dotcom’s marks on 22 August 2012. Therefore in accordance with s.47(2A) and (2B), eBay must show that the earlier marks were put to genuine use in the period 23 August 2007 to 22 August 2012 (“the relevant period”).

28. eBay relies on UK registrations 2185144 and 2185146, particularly insofar as the marks are registered for:

‘Providing an online, interactive bulletin board for the posting, promotion, sale and resale of items via a global computer network’.

29. eBay relies on CTMs 1029198 and 1028398, particularly insofar as they are registered for ‘online trading services’. In *Chartered Institute of Patent Attorneys v Registrar of Trade Marks*, Case C-307/10 the Court of Justice of the European Union (“CJEU”) held that:

“Directive 2008/95 must be interpreted as meaning that it requires the goods and services for which the protection of the trade mark is sought to be identified by the applicant with sufficient clarity and precision to enable the competent authorities and economic operators, on that basis alone, to determine the extent of the protection conferred by the trade mark.”

30. I regard 'online trading services' as being so vague as to lack the necessary clarity and precision to enable me to make a proper comparison between the services for which the eBay's CTMs are registered and the goods and services covered by Dotcom's marks. I will therefore focus on the services covered by eBay's UK registrations.

31. There is no dispute that eBay operates an online website under the mark EBAY on which third parties can buy and sell goods of all kinds, and did so throughout the relevant period. There is therefore no doubt that eBay provided 'an online, interactive [website] for the posting, promotion, sale and resale of items via a global computer network'. The sole question is whether the reference in the specifications of the UK marks to an 'interactive bulletin board' can be equated to operating a website and/or the buying and selling pages on eBay's website. Mr Baldwin submitted that a 'bulletin board' is normally a place where news is posted rather than where goods are offered for sale. He therefore invited me to find that eBay's use of EBAY in relation to its website did not fall within the registered specification of services. I reject this submission. I accept that taken in isolation the words 'bulletin board' have the meaning Mr Baldwin suggests, but taken in the context of the registered specification as a whole these words describe a place on which goods can be posted and from which they can then be bought over the internet. That was clearly what eBay meant to cover when these marks were registered in 1998, and I think I should be slow to find that eBay and its advisors were unable to describe its core services. I find that eBay has shown use of its EBAY marks in relation to:

'Providing an online, interactive bulletin board for the posting, promotion, sale and resale of items via a global computer network'.

### **Statutory acquiescence**

32. Dotcom claims that eBay is prevented from bringing this application for invalidation by s.48 of the Act which states that:

48(1) Where the proprietor of an earlier trade mark or other earlier right has acquiesced for continuous period of five years in the use of a registered trade mark in the United Kingdom, being aware of that use, there shall cease to be any entitlement on the basis of that earlier trade mark or other right-

(a) to apply for a declaration that the registration of the later trade mark is invalid, or

(b) to oppose the use of the later trade mark in relation to the goods or services in relation to which it has been so used, unless the registration of the later trade mark was applied for in bad faith.

33. It is appropriate to deal with this point first because, if it is a good point, the grounds for cancellation under s.5(2), 5(3) and 5(4) must be rejected.

34. Mr Baldwin pointed out, on behalf of Dotcom, that s.40(3) states that:

“A trade mark when registered shall be registered as of the date of filing of the application for registration; and that date shall be deemed for the purposes of this Act to be the date of registration”.

Dotcom’s marks were applied for on 8 December 2006. According to Mr Baldwin this means the marks had been registered for more than 5 years prior to the date of the applications for invalidation on 22 August 2012. Further, as eBay had complained about the use of fragrancebay in 2003, and employed the likes of MarkMonitor to keep an eye on third party uses of similar marks, it appeared that eBay had been aware of the use of the BEAUTYBAY marks by Dotcom and its predecessor in business between 8 December 2006 and 22 August 2012, but had taken no action to enforce its perceived rights under the EBAY marks. It was now too late for eBay to do so.

35. Ms Himsworth submitted, on behalf of eBay, that the five year period within which there must have been acquiescence for the purposes of s.48 could not start until after the registration of the later mark(s). If the registration of a later mark is considered to take place on the date of the application to register the mark, that would mean that the five year period would, in some cases, have expired before the registration procedure had even been completed, including the marks at issue in *Budejovicky Budvar NP v Anheuser-Busch Inc.*<sup>30</sup> (“Budweiser”). Accordingly, if Mr Baldwin’s interpretation of s.48 was correct, the Court of Appeal’s preliminary reference to the CJEU in *Budweiser* was unnecessary. Further, Ms Himsworth pointed out that in paragraph 37 of its judgement in *Budweiser* the CJEU stated that Article 9(1) of the Trade Marks Directive (which is implemented in the UK by s.48) required acquiescence to be given a meaning and scope that is identical in all Member States. This meant that domestic add-ons to the Directive, such as s.40(3) of the Act, should not be applied in such a way as to extend the practical scope of the acquiescence provision beyond that applicable in other Member States. In any event, although there was evidence that eBay knew about the fragrancebay.org domain name in 2003, there was no evidence that it knew about the use of the BEAUTYBAY marks for 5 years prior to the date of the applications for invalidation.

36. As Ms Himsworth pointed out, the CJEU set out four conditions in its judgment in *Budweiser* which must be satisfied in order to establish acquiescence within the meaning of Article 9(1).

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<sup>30</sup> Case C-482/09

The court stated that:

“53. It is apparent from the wording of Article 9(1) of Directive 89/104 that four conditions must be satisfied before the period of limitation in consequence of acquiescence starts running if there is use of a later trade mark which is identical with the earlier trade mark or confusingly similar.

54. First, since Article 9(1) refers to a ‘later registered trade mark’, registration of that mark in the Member State concerned constitutes a necessary condition. The period of limitation in consequence of acquiescence cannot therefore start to run from the date of mere use of a later trade mark, even if the proprietor of that mark subsequently has it registered.

55. As regards the registration of the later trade mark in the Member State concerned, it must be observed that the fifth recital of Directive 89/104 states that ‘... Member States ... remain free to fix the provisions of procedure concerning the registration, the revocation and the invalidity of trade marks acquired by registration; ... they can, for example, determine the form of trade mark registration and invalidity procedures, decide whether earlier rights should be invoked either in the registration procedure or in the invalidity procedure or in both and, if they allow earlier rights to be invoked in the registration procedure, have an opposition procedure or an ex officio examination procedure or both; ... Member States remain free to determine the effects of revocation or invalidity of trade marks’.

56. Second, the application for registration of the later trade mark must have been made by its proprietor in good faith.

57. Third, the proprietor of the later trade mark must use his trade mark in the Member State where it is registered.

58. Fourth, the proprietor of the earlier trade mark must be aware of the registration of the later trade mark and of the use of that trade mark after its registration.”

37. It is self evident that the proprietor of an earlier mark cannot be aware of the registration of a later mark until after it is entered in the register. Therefore if Mr Baldwin is correct that s.40(3) requires s.48 to be interpreted in such a way that the five year period may, in some cases, expire on, or even before, the day that the later mark is entered in the register, the law in the UK does not comply with at least the fourth condition in *Budweiser* and is therefore contrary to European Union law.

38. As the CJEU observed in paragraph 55 of its judgment in *Budweiser*, Member States remain free to fix the procedures for registration, including the date when the registration procedure is deemed to have been completed<sup>31</sup>. Nevertheless, s.40(3) cannot have been intended to mean that the registration procedure is deemed to

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<sup>31</sup> See Case C-246/05, *Häupl v Lidl Stiftung*

have been completed on the date of the application for registration. That is clear from the wording of s.40(1), s.40(2) and s.46(1) of the Act. Otherwise where the registration procedure takes 5 years or more, it would be possible for a mark to become subject to revocation for non-use on the very day it is registered. It therefore appears to me that s.40(3) serves only to define the meaning of the words “the date of registration” as those words appear elsewhere in the Act, for example in s.42 where those words are used in order to identify the beginning of the renewal period. The words “the date of registration” do not appear in s.48. Instead that section refers to the situation where:

“the proprietor of an earlier trade mark or other earlier right has acquiesced for continuous period of five years in the use of a registered trade mark in the United Kingdom”

39. I do not therefore accept that I am bound by s.40(3) to regard the five year period mentioned in this provision as starting on the date of the application for registration. Rather, and particularly in view of the obligation on national courts and tribunals to interpret UK law consistently with European Directives, so far as it is possible to do so<sup>32</sup>, I find that the five year period in s.48 starts, at the earliest, on the date that the registration procedure is completed. In this case that was 22 August 2007. As that is less than five years before the date of the application for invalidation, Dotcom’s claim of statutory acquiescence is bound to fail. I find accordingly. It is not therefore necessary for me to make a finding as to whether eBay had knowledge of Dotcom’s use in the period between the registration of the BEAUTYBAY marks and the date of the applications for invalidation, although it seems clear to me that eBay was aware of the use of the marks for at least part of that period.

### **Section 5(2)(b)**

40. Sections 5(2)(b) of the Act is as follows:

“5(2) A trade mark shall not be registered if because-

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

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<sup>32</sup> *Marleasing* Case C-106/89

41. In the light of my findings above, the relevant comparison is between:

<b>eBay’s UK marks 2185144 and 2185146</b>	<b>Goods and services covered by Dotcom’s marks</b>
Class 35: Providing an online, interactive bulletin board for the posting, promotion, sale and resale of items via a global computer network.	<p>Class 3: Fragrances and perfumery; toiletries and personal care products; soaps, shampoos, conditioners; hair care preparations; skin care preparations; cosmetics; sun care and sun tanning preparations; essential oils.</p> <p>Class 35: Retail services connected with the sale of fragrances, perfume, toiletries, cosmetics, soaps, shampoos, hair care preparations, skin care preparations, essential oils, sun care and tanning preparations.</p>

42. In the judgment of the CJEU in *Canon*, Case C-39/97, the court stated at paragraph 23 of its judgment that:

“In assessing the similarity of the goods or services concerned, as the French and United Kingdom Governments and the Commission have pointed out, all the relevant factors relating to those goods or services themselves should be taken into account. Those factors include, inter alia, their nature, their intended purpose and their method of use and whether they are in competition with each other or are complementary”.

43. Considering first the similarity between the respective services in class 35, eBay’s registered services cover the provision of an interactive bulletin board for the posting, promotion and sale of goods. It is implicit from the description of services that they are services provided to third parties (as opposed to eBay promoting and selling goods for which it is responsible). However, I find that there is some similarity of purpose between eBay’s services and the retail services covered by Dotcom’s marks in that the respective services are intended to encourage the sale of goods through the services of one particular undertaking rather than through the services of its competitors. However, the purpose of the services is not the same because eBay’s services are to encourage the buying and selling of third party goods, whereas Dotcom’s services are to encourage the sale of goods on its own account. The nature of the respective services is therefore rather different, but the method of use of the services is the same to the extent that both services may involve buying goods via an online website. The respective services are not in competition. However, they are complementary to the extent that an online retailer may use the services covered by eBay’s class 35 registrations in the same way that a bricks and mortar retailer uses the services of a shopping centre in order to bring their goods to the attention of as a wide a section of the public as possible. I think it is possible that the use of a mark by a party providing online retail services, which is the same as, or

similar to, a mark used for the services of an online intermediary, such as those covered by eBay's class 35 registrations, could be capable of causing confusion. That would obviously be so if Dotcom had registered and used (say) EBAY for its services instead of BEAUTYBAY. I therefore regard the respective services as complementary in the sense described in the case law.

44. I find that, overall, there is an average degree of similarity between the respective services in class 35.

45. Turning to the similarity between eBay's class 35 services and the goods covered by class 3 of Dotcom's registrations, I note that In *Oakley, Inc v OHIM*<sup>33</sup> the General Court held that although retail services are different in nature, purpose and method of use to goods, retail services for particular goods may be complementary to those goods, and distributed through the same trade channels, and are therefore similar to a certain degree.

46. However, as I have already noted, eBay's registrations do not cover retail services as such. I do not accept that providing the services of an online bulletin board through which third parties can buy and sell goods can be regarded as complementary to the goods themselves. The mere fact that the goods covered by Dotcom's registrations could be sold via the medium of the services covered by eBay's registrations is not, in my view, sufficient of itself to establish similarity between the respective goods and services. This conclusion appears to be consistent with the judgment of the CJEU in *L'Oreal v eBay*<sup>34</sup> in which the court found that eBay's online 'marketplace' services were not similar to the goods for which L'Oreal's marks were registered.

47. Therefore, as it is an essential requirement of s.5(2) that there is some similarity between the respective goods and services<sup>35</sup>, the grounds for invalidation of Dotcom's registrations on the basis that they were contrary to s.5(2)(b) must fail insofar as the registration of those marks for goods in class 3 is concerned.

48. There is therefore no need for me to consider the applications for invalidation any further insofar as they are based on the registration of Dotcom's mark for goods in class 3 having been contrary to s.5(2)(b).

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<sup>33</sup> Case T-116/06, at paragraphs 46-57

<sup>34</sup> C-324/09 at paragraphs 89 and 90.

<sup>35</sup> *Waterford Wedgwood plc v OHIM* – C-398/07 P

## Comparison of marks

49. The respective trade marks are shown below.

EBAY 	BEAUTY BAY BEAUTYBAY BEAUTYBAY.COM
Earlier trade mark	Contested trade marks

50. It is clear from *Sabel BV v. Puma AG* (particularly paragraph 23) that the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details. The same case also explains that the visual, aural and conceptual similarities of the marks must be assessed by reference to the overall impressions created by the marks, bearing in mind their distinctive and dominant components. It would be wrong, therefore, to artificially dissect the trade marks, although, it is necessary to take into account any distinctive and dominant components and give due weight to any other features which are not negligible.

51. The respective marks are visually similar to the limited extent that they end in the word BAY (except for BEAUTYBAY.COM). There is no similarity between the first part of the marks, 'E' and 'BEAUTY'. Therefore there is only a low degree of visual similarity between eBay's marks and any of Dotcom's marks. The level of visual similarity is particularly low when the comparison is based on eBay's stylised word mark. This is because the stylisation is highly individual. It is more than just the use of a particular font. Using that degree of stylisation would not represent a normal and fair use of Dotcom's marks. The stylisation of eBay's stylised word mark (and the absence of that stylisation from Dotcom's marks) must therefore be regarded as a further visual difference between the marks.

52. BEAUTYBAY/BEAUTY BAY will be pronounced BIEW-TEE-BAY (BIEW rhyming with VIEW). EBAY is pronounced as the letter E followed by the word BAY, i.e. as EE-BAY. Notwithstanding that the word BEAUTY also ends in an 'EE' sound, I find that there is only a low degree of aural similarity between the marks when compared as wholes.

53. Mr Gabbie's evidence was that he regarded the 'E' in EBAY as standing for electronic. In the context of the online interactive services for which the mark is registered, I find that that would be the likely reaction of an average consumer of those services. The words BEAUTY and .COM have meanings that are so well

known that they do not require explanation here. These words have different meanings to that conveyed by the 'E' in EBAY (electronic), although as .COM is also associated with ecommerce, that applies more so to BEAUTY than to .COM. The word that is common to the parties' marks - BAY - has a number of well known meanings, the most obvious ones being a body of water partially enclosed by land but giving access to the sea, or a storage area, such as a loading bay. Whichever meaning is given to the word BAY in the marks at issue, it is liable to be given the same meaning in eBay's mark as it is in Dotcom's marks. Therefore a word making up one part of the respective marks has the same meaning, but other parts of the marks have different meanings. In *Usinor SA v OHIM*, Case T-189/05, the General Court found that:

"62. In the third place, as regards the conceptual comparison, it must be noted that while the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details (*Lloyd Schuhfabrik Meyer*, paragraph 25), he will nevertheless, perceiving a verbal sign, break it down into verbal elements which, for him, suggest a concrete meaning or which resemble words known to him (Case T-356/02 *Vitakraft-Werke Wührmann v OHIM – Krafft (VITAKRAFT)* [2004] ECR II-3445, paragraph 51, and Case T-256/04 *Mundipharma v OHIM – Altana Pharma (RESPICUR)* [2007] ECR II-0000, paragraph 57)."

54. I must therefore give appropriate weight to the conceptual similarity I have identified, and to the conceptual differences between the marks. Having done so I find that there is an immediately noticeable level of conceptual similarity between the respective marks when compared as wholes. This means that the marks are most similar at a conceptual level.

### **Average consumer and the purchasing act**

55. The average consumer is deemed to be reasonably well informed and reasonably observant and circumspect. For the purpose of assessing the likelihood of confusion, it must be borne in mind that the average consumer's level of attention is likely to vary according to the category of goods or services in question: *Lloyd Schuhfabrik Meyer*<sup>36</sup>.

56. I find that the average consumer of the services for which Dotcom's marks are registered is the general public. I find that the average consumer of the services described in paragraph 41 above and for which EBAY is registered is composed of both sellers of goods, which includes the general public, but also retailers, and buyers of goods, who will usually be the general public.

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<sup>36</sup> CJEU, Case C-342/97

57. A member of the general public buying or selling goods online is likely to pay an average level of attention when selecting a service provider, including a service provider such as Dotcom which sells a range of beauty products online.

58. Dotcom appears to be currently targeting the buyers of products at the more expensive end of the market for beauty products. However, that is a matter of marketing strategy rather than something inherent to the type of retail services at issue. As the General Court stated in *Bang & Olufsen A/S v OHIM*<sup>37</sup>:

“According to the case-law, the price of the product concerned is also immaterial as regards the definition of the relevant public, since price will also not be the subject of the registration (Joined Cases T-324/01 and T-110/02 *Axions and Belce v OHIM* (Brown cigar shape and gold ingot shape) [2003] ECR II-1897, paragraph 36).”

59. Dotcom’s current strategy of targeting buyers of more expensive beauty products is therefore irrelevant to the characterisation of the relevant average consumer.

#### **Distinctive character of the earlier trade mark**

60. In *Lloyd Schuhfabrik Meyer & Co. GmbH v Klijsen Handel BV*<sup>38</sup> the CJEU stated that:

“22. In determining the distinctive character of a mark and, accordingly, in assessing whether it is highly distinctive, the national court must make an overall assessment of the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular undertaking, and thus to distinguish those goods or services from those of other undertakings (see, to that effect, judgment of 4 May 1999 in Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee v Huber and Attenberger* [1999] ECR I-0000, paragraph 49).

23. In making that assessment, account should be taken, in particular, of the inherent characteristics of the mark, including the fact that it does or does not contain an element descriptive of the goods or services for which it has been registered; the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant section of the public which, because of the mark, identifies the goods or services as originating from a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations (see *Windsurfing Chiemsee*, paragraph 51).”

61. Even accepting that the ‘E’ in EBAY is likely to be taken as standing for ‘electronic’, and is therefore descriptive in relation to services relating to ecommerce.

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<sup>37</sup> Case T-460/05

<sup>38</sup> Case C-342/97

However, EBAY as a whole is inherently distinctive for the services listed at paragraph 41 above. I find that it was very highly distinctive for those services in 2006 (when Dotcom's marks were filed), partly as a result of the extensive use of EBAY prior to that date.

62. In *Kurt Geiger v A-List Corporate Limited*<sup>39</sup>, Mr Iain Purvis Q.C. as the Appointed Person pointed out that the level of 'distinctive character' is only likely to increase the likelihood of confusion to the extent that it resides in the element(s) of the marks that are identical or similar. He said:

"38. The Hearing Officer cited *Sabel v Puma* at paragraph 50 of her decision for the proposition that 'the more distinctive it is, either by inherent nature or by use, the greater the likelihood of confusion'. This is indeed what was said in *Sabel*. However, it is a far from complete statement which can lead to error if applied simplistically.

39. It is always important to bear in mind what it is about the earlier mark which gives it distinctive character. In particular, if distinctiveness is provided by an aspect of the mark which has no counterpart in the mark alleged to be confusingly similar, then the distinctiveness will not increase the likelihood of confusion at all. If anything it will reduce it.'

40. In other words, simply considering the level of distinctive character possessed by the earlier mark is not enough. It is important to ask 'in what does the distinctive character of the earlier mark lie?' Only after that has been done can a proper assessment of the likelihood of confusion be carried out".

63. I find that consumers would view the mark EBAY as single word. Nevertheless, most consumers would recognise that it is composed of the letter 'e' and the word 'Bay'. The word BAY is therefore a recognisable and distinctive part of the word mark, although not one that has an 'independent' role within the mark EBAY in the sense described in *Medion*.

### **Likelihood of confusion**

64. In *Specsavers International Healthcare Limited & Others v Asda Stores Limited* [2012] EWCA Civ 24 para 51 et seq, the Court of Appeal approved the following principles gleaned from the decisions of the EU courts in *Sabel BV v Puma AG*, Case C-251/95 [1998] RPC 199, *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc*, Case C-39/97 [1999] RPC 117, *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel B.V.* Case C-342/97, *Marca Mode CV v Adidas AG & Adidas Benelux BV*, Case C-425/98 [2000] E.T.M.R. 723, *Matratzen Concord GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)*, Case C-3/03, *Medion AG v. Thomson Multimedia Sales Germany & Austria GmbH*, Case C-

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<sup>39</sup> BL O-075-13

### **The principles**

(a) The likelihood of confusion must be appreciated globally, taking account of all relevant factors;

(b) the matter must be judged through the eyes of the average consumer of the goods or services in question, who is deemed to be reasonably well informed and reasonably circumspect and observant, but who rarely has the chance to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has kept in his mind, and whose attention varies according to the category of goods or services in question;

(c) the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details;

(d) the visual, aural and conceptual similarities of the marks must normally be assessed by reference to the overall impressions created by the marks bearing in mind their distinctive and dominant components, but it is only when all other components of a complex mark are negligible that it is permissible to make the comparison solely on the basis of the dominant elements;

(e) nevertheless, the overall impression conveyed to the public by a composite trade mark may, in certain circumstances, be dominated by one or more of its components;

(f) and beyond the usual case, where the overall impression created by a mark depends heavily on the dominant features of the mark, it is quite possible that in a particular case an element corresponding to an earlier trade mark may retain an independent distinctive role in a composite mark, without necessarily constituting a dominant element in that mark;

(g) a lesser degree of similarity between the goods or services may be offset by a great degree of similarity between the marks, and vice versa;

(h) there is a greater likelihood of confusion where the earlier mark has a highly distinctive character, either per se or because of the use that has been made of it;

(i) mere association, in the strict sense that the later mark brings the earlier mark to mind, is not sufficient;

(j) the reputation of a mark does not give grounds for presuming a likelihood of confusion simply because of a likelihood of association in the strict sense;

(k) if the association between the marks creates a risk that the public will wrongly believe that the respective goods or services come from the same or economically-linked undertakings, there is a likelihood of confusion.

65. On the face of it, the low degree of visual and aural similarities between eBay's marks and Dotcom's marks, and the (only) average degree of similarity between the respective services, suggests that is no likelihood of direct confusion, even after allowing for the very highly distinctive character of the EBAY mark, the noticeable degree of conceptual similarity between the marks, and after making an appropriate allowance for imperfect recollection.

66. However, Ms Himsworth submitted that I should take account of the reputation of eBay's marks in a particular colour scheme and the possibility that Dotcom's marks could be used in a similar colour scheme. In this connection, she drew my attention to the judgment of the CJEU in *Specsavers International Healthcare Limited & Others v Asda Stores Limited*<sup>40</sup> where the court held that:

“2. Article 9(1)(b) and (c) of Regulation No 207/2009 must be interpreted as meaning that where a Community trade mark is not registered in colour, but the proprietor has used it extensively in a particular colour or combination of colours with the result that it has become associated in the mind of a significant portion of the public with that colour or combination of colours, the colour or colours which a third party uses in order to represent a sign alleged to infringe that trade mark are relevant in the global assessment of the likelihood of confusion or unfair advantage under that provision.”

67. That finding must also apply, by analogy, to the corresponding provision of the Trade Mark Directive and, by extension, to s.5(2)(b) and s.5(3) of the Act. Mr Baldwin's skeleton included a suggestion that the *Specsavers* judgment means that it is the coloured version of the EBAY marks<sup>41</sup> which must be considered as the basis for comparison with Dotcom's marks. If by that he meant that the required comparison should be limited only to the colour versions of eBay's marks, then I disagree. There is a significant difference between saying that when a mark is registered in black and white, but used extensively in particular colours, the colour(s) which a third party uses for its mark are relevant to the required global assessments, and saying that where a mark registered in black and white has been used extensively in particular colours then consideration of the registered mark should be limited to those colours. The earlier marks in this case are registered in black and white (i.e. not limited to colour) and are therefore entitled to protection in all

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<sup>40</sup> Case C-252/12

<sup>41</sup> Shown at the top of page 4 above

colours<sup>42</sup>. The absence of the same colours from Dotcom's marks is therefore irrelevant. Rather the CJEU's judgment in *Specsavers* means that it is appropriate to take account of the extensive use of the earlier marks in particular colours to the extent that the use of the use of a later mark in those same colours increases the likelihood of confusion with, or other damage to, or unfair advantage being taken of, the earlier mark.

68. In the *Specsavers* case there was evidence that the defendant used its signs in the colour associated with the claimant's registered marks. There is no evidence that Dotcom uses its marks in a similar colour scheme to eBay's marks. However, in *O2 Holdings Limited, O2 (UK) Limited v Hutchison 3G UK Limited*<sup>43</sup>, the CJEU held<sup>44</sup> that when assessing the likelihood of confusion under Article 4 of the Directive (s.5 of the Act) it is necessary to consider all the circumstances in which the mark applied for might be used if it were to be registered. In principle, that must also apply to the situation where a later mark has been registered and so far used in a non-similar colour, but where it could be used in future in the same colour(s) as an earlier mark of repute thereby increasing the likelihood of confusion.

68. On this basis, Ms Himsworth invited me to consider the effect of the use of Dotcom's marks in the following colour schemes<sup>45</sup>.



69. Mr Baldwin submitted that there must be limits to the extent to which it was appropriate for a tribunal to contemplate the hypothetical use of the later mark in a very specific colour scheme. Otherwise one could end up making a finding that there was a likelihood of confusion based less on the similarities between the marks as registered and more on the specific get-up and colour scheme applied to the marks. As an example of this he invited me to first consider the likelihood of confusion

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<sup>42</sup> See paragraph 96 of the judgment of Kitchin L.J. in *Specsavers* [2012] EWCA Civ 24

<sup>43</sup> Case C-533/06

<sup>44</sup> At paragraph 66 of its judgment

<sup>45</sup> The colours in which eBay's marks have been extensively used are shown at the top of page 4 above.

between the marks MARS and MARSTON'S, and then to consider the likelihood of confusion between MARS in its familiar colour scheme/font and the following mark.



70. I agree with Mr Baldwin that there must be limits to the extent to which it is appropriate to take account of hypothetical uses of the later mark when assessing the likelihood of confusion. In my view, all normal and fair uses of the later mark should be taken into account, but use of the later mark in forms which are artificially contrived in order to resemble the earlier mark should not be taken into account. This is because such uses are not normal, fair or actual uses of the later mark.

71. Leaving aside the additional 'manufactured' similarities shown above, I find that there is no likelihood of direct confusion, even after allowing for the very highly distinctive character of the EBAY mark and making an appropriate allowance for imperfect recollection.

72. Ms Himsworth reminded me that it is also necessary to take into account the possibility of initial interest confusion<sup>46</sup>. However, given the relatively low level of overall visual and aural similarity between the marks at issue, I find that this does not increase the likelihood of direct confusion in this case.

73. The real issue under this heading, in my view, is whether there is a likelihood of indirect confusion, or 'association' as it described in s.5(2). In *L.A. Sugar Limited v By Back Beat Inc*, Case BL-O/375/10, Mr Iain Purvis Q.C. as the Appointed Person noted that:

"16. Although direct confusion and indirect confusion both involve mistakes on the part of the consumer, it is important to remember that these mistakes are very different in nature. Direct confusion involves no process of reasoning – it is a simple matter of mistaking one mark for another. Indirect confusion, on the other hand, only arises where the consumer has actually recognized that the later mark is different from the earlier mark. It therefore requires a mental process of some kind on the part of the consumer when he or she sees the later mark, which may be conscious or subconscious but, analysed in formal terms, is something along the following lines: "The later mark is different from the earlier mark, but also has something in common with it. Taking account of

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<sup>46</sup> As per Arnold J. in *Och-Ziff Management Europe Ltd v Och Capital LLP* [2010] EWHC (CH)

the common element in the context of the later mark as a whole, I conclude that it is another brand of the owner of the earlier mark.

17. Instances where one may expect the average consumer to reach such a conclusion tend to fall into one or more of three categories:

(a) where the common element is so strikingly distinctive (either inherently or through use) that the average consumer would assume that no-one else but the brand owner would be using it in a trade mark at all. This may apply even where the other elements of the later mark are quite distinctive in their own right (“26 RED TESCO” would no doubt be such a case).

(b) where the later mark simply adds a non-distinctive element to the earlier mark, of the kind which one would expect to find in a sub-brand or brand extension (terms such as “LITE”, “EXPRESS”, “WORLDWIDE”, “MINI” etc.).

(c) where the earlier mark comprises a number of elements, and a change of one element appears entirely logical and consistent with a brand extension (“FAT FACE” to “BRAT FACE” for example).”

74. The examples given in paragraph 17 of Mr Purvis’s decision are clearly not intended to be exhaustive, but I note that the later marks in this case do not include the earlier and very highly distinctive EBAY marks (as per the examples in sub-paragraphs (a) and (b)), but only the BAY element of the EBAY mark. The strength of eBay’s case under this heading therefore depends mainly on whether consumers are likely to believe (initially or otherwise) that BEAUTY BAY/BEAUTYBAY(.COM) is a brand extension/variation of EBAY.

75. Mr Baldwin pointed out that the parties have been trading side by side for 9 years under the marks without any evidence of confusion or anyone thinking that the parties were connected. The parties have followers on Facebook and Twitter. In these circumstances he suggested that if there had been confusion of that kind it would have come to light, particularly as those representing eBay had obviously gone looking for evidence to support their client’s case, including evidence of any negative publicity about Dotcom’s services, which is where one might expect to find instances of eBay being blamed for Dotcom’s service failures.

76. In *The European Limited v The Economist Newspaper Ltd*<sup>47</sup>, Millett L.J. stated that:

“Absence of evidence of actual confusion is rarely significant, especially in a trade mark case where it may be due to differences extraneous to the plaintiff’s registered trade mark.”

77. In the more recent case of *Jack Wills Ltd v House of Fraser (Stores) Ltd*<sup>48</sup>, Arnold J. made similar remarks but noted that:

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<sup>47</sup> [1998] FSR 283

“The longer the use complained of has gone on in parallel with use of the trade mark without such evidence emerging, however, the more significant it is. Other relevant factors are the scale of the use complained of and the likelihood of actual confusion being detected.”

78. I consider that the absence of any evidence of confusion is one factor (amongst others) that I should take into account in making the required global assessment of the likelihood of confusion in circumstances where:

- The parties have used the marks at issue as the primary means of identifying their businesses to the public;
- The parties have traded concurrently on a significant scale for a number of years in relation to the relevant services in class 35 covered by their respective registrations;
- There appear to be channels through which a belief that the parties were economically connected might reasonably have come to light.

79. However, the absence of evidence of confusion is not decisive because, as Ms Himsworth pointed out, if the vast majority of consumers were content with the service they received then there was no reason for them to express any views about the matter even if they had been confused (initially or otherwise) into thinking that BEAUTYBAY was connected with EBAY.

80. I attach no weight to Mr Gabbie’s evidence that eBay put BEAUTYBAY.COM forward on a website called shopping.com as an independent reference for that site. I accept Ms Himsworth submission that eBay is a very large business and simply because one part of eBay’s business considered that it was appropriate to use Dotcom as a reference for a supporting website does not mean that eBay had taken a considered decision that BEAUTYBAY.COM posed no threat to its primary trade mark.

81. I have taken into account Mr Gabbie’s evidence that some of his suppliers had threatened to stop supplying Dotcom with their products if they thought that consumers would believe, rightly or wrongly, that BEAUTYBAY was connected with EBAY. Mr Gabbie relied on that evidence to rebut eBay’s suggestion that Dotcom would gain an advantage from being connected with EBAY, but the fact that Dotcom’s suppliers were concerned that such a connection might be made shows, if anything, that eBay’s concerns in this respect are not entirely fanciful.

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<sup>48</sup> [2014] EWHC 110 (CH)

82. There is, however, a difference between a proposition being more than fanciful and it being likely or there being a serious risk of it happening. I accept that a section of the relevant public will be caused to wonder whether or not BEAUTYBAY might somehow be connected with EBAY, but this is not the same as indirect confusion (or initial interest confusion). This occurs when the average consumer is confused into believing that there is likely to be an economic connection between the users of the earlier and later marks. Merely being given cause to wonder whether there might be a connection between the users of two recognisably different marks does not amount to a likelihood of indirect confusion. Taking all the relevant factors into account I find that there is no likelihood of indirect confusion. This is because of the combination of the following factors:

- The low degree of visual and aural similarity between the marks as wholes;
- The absence of a 'family' of BAY marks which might have shown that EBAY mark was likely to be the subject of further such brand extensions;
- The (only) average degree of similarity between the relevant services.

83. I find that these factors outweigh:

- The immediately noticeable conceptual similarity between the marks;
- The very highly distinctive character of EBAY.

84. I regard the absence of evidence of confusion as merely confirming the correctness of this analysis.

85. In reaching my decision I have taken due account of the decisions of some other tribunals that were drawn to my attention concerning the marks at issue in these proceedings, or other marks including the word BAY, but in the end I have made own decision on the basis of the law in the European Union and on the evidence and arguments before me.

86. For the reasons stated above, I reject the ground of invalidation based on s.5(2)(b).

### **Section 5(3)**

87. Section 5(3) states:

“(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 a Community trade mark or international trade

mark (EC), 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.”

88. The relevant case law can be found in the following judgments of the CJEU: Case C-375/97, *General Motors*, [1999] ETMR 950, Case 252/07, *Intel*, [2009] ETMR 13, Case C-408/01, *Addidas-Salomon*, [2004] ETMR 10 and Case C-487/07, *L’Oreal v Bellure* [2009] ETMR 55 and Case C-323/09, *Marks and Spencer v Interflora*. The law appears to be as follows.

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

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

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

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

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

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

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

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

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

### **The relevant date**

89. The ground for invalidation under s.5(3) must be established as at the date of Dotcom's applications on 8 December 2006. This means that events after that date can be taken into account in assessing whether Dotcom's marks have taken unfair advantage of, or been detrimental to, the distinctive character or the reputation of EBAY as it stood at the relevant date. However, reputation, or aspects of reputation, acquired only after 8 December 2006 cannot be relied on in order to justify the application of the ground at the relevant date.

### **Reputation**

90. There is no doubt in my mind that by 2006 EBAY (as registered under UK 2185144) enjoyed a substantial reputation with the general public in the UK. The reputation of the mark was for online interactive services covered by the registration through which third party goods of all kinds could be posted, promoted, bought and sold. The services were primarily associated with online auctions, but by 2006 also included the posting, buying etc. of fixed price goods.

### **The Link**

91. I remind myself that the overall level of similarity between the EBAY mark and Dotcom's marks is relatively modest, the services covered by the parties' marks are

not the same, and the goods in class 3 covered by Dotcom's marks are dissimilar to the services for which EBAY is highly distinctive and has a substantial reputation.

92. However, given:

- The very substantial reputation of the EBAY mark in 2006;
  - The relatively non-distinctive meanings of 'E' and 'BEAUTY' at the beginning of the respective marks;
  - That BAY appears at the end of the marks (or at the end of the only distinctive element in the BEAUTYBAY.COM mark) and has no natural connection to either E or BEAUTY;
  - The consequential and immediately noticeable conceptual similarity between the marks EBAY and BEAUTYBAY;
  - That normal and fair use of BEAUTYBAY includes using BEAUTY and BAY in contrasting colours or as BeautyBay;
  - The use of eBay's services to buy and sell cosmetics and fragrances etc. had reached a substantial level by 2006;
- I find that a significant section of the relevant public, made up of average consumers, would have called EBAY to mind if they came across the marks BEAUTY BAY/BEAUTYBAY(.COM) in and after 2006 in relation to retail services for fragrances/cosmetics etc. or goods of that kind sold online. As there is no evidence that third party marks such as Coffee Bay, Furniture\_Bay, Invite-Bay, Jewellery Bay and Sticker Bay were in use at the relevant date, they cannot be relevant to the question of whether the relevant public would have made a link between the marks at issue in these proceedings in 2006.

### **Unfair Advantage**

93. It is therefore necessary to consider whether such a link would have given an unfair advantage to Dotcom's marks, or been detrimental to the EBAY mark. eBay's primary case is that the use of Dotcom's marks takes unfair advantage of the reputation of the EBAY mark. In *Jack Wills Ltd v House of Fraser (Stores) Ltd*, Arnold J. reviewed the case law on unfair advantage and concluded as follows.

"80. The arguments in the present case give rise to two questions with regard to taking unfair advantage. The first concerns the relevance of the defendant's intention. It is clear both from the wording of Article 5(2) of the Directive and Article 9(1)(c) of the Regulation and from the case law of the Court of Justice interpreting these provisions that this aspect of the legislation is directed at a

particular form of unfair competition. It is also clear from the case law both of the Court of Justice and of the Court of Appeal that the defendant's conduct is most likely to be regarded as unfair where he intends to benefit from the reputation and goodwill of the trade mark. In my judgment, however, there is nothing in the case law to preclude the court from concluding in an appropriate case that the use of a sign the objective effect of which is to enable the defendant to benefit from the reputation and goodwill of the trade mark amounts to unfair advantage even if it is not proved that the defendant subjectively intended to exploit that reputation and goodwill.

81. The second question is whether there is a requirement for evidence of a change in the economic behaviour of consumers or a serious likelihood of such a change. As counsel for House of Fraser pointed out, the CJEU has held that proof that the use of the sign is or would be detrimental to the distinctive character of the trade mark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the trade mark is registered or a serious likelihood that such change will occur in the future: see *Intel* at [77], [81] and Case C-383/12 *Environmental Manufacturing LLP v Office for Harmonisation in the Internal Market* (unreported, 14 November 2013) at [34]-[43]. As counsel for House of Fraser accepted, there is no requirement for evidence of a change in the economic behaviour of consumers of the *trade mark proprietor's* goods or services in order to establish the taking of unfair advantage of the distinctive character or repute of the trade mark. He submitted, however, that it was necessary that there should be evidence of a change in the economic behaviour of the consumers of the *defendant's* goods or services.

82. Counsel for Jack Wills did not dispute that, in order for advantage to be taken of the trade mark's distinctive character or repute, it was necessary for there to be some change in the behaviour of the defendant's consumers as a result of the use of the allegedly infringing sign, or a serious likelihood of such a change. Nor did he dispute that what was required was a change in the behaviour of the consumers as consumers of the relevant goods and services, and in that sense in their economic behaviour. He submitted, however, that the trade mark proprietor could not be expected to adduce positive evidence that consumers had changed their behaviour as a result of the use of the sign.

83. In my judgment the correct way to approach this question is to proceed by analogy with the approach laid down by the Court of Justice in *Environmental Manufacturing* in the following passage:

“42. Admittedly, Regulation No 207/2009 and the Court's case-law do not require evidence to be adduced of actual detriment, but also admit the serious risk of such detriment, allowing the use of logical deductions.

43. None the less, such deductions must not be the result of mere suppositions but, as the General Court itself noted at paragraph 52 of the judgment under appeal, in citing an earlier judgment of the General

Court, must be founded on ‘an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case’.”

94. It is therefore necessary to assess whether the link I have identified above would lead to a transfer of the “image” of the EBAY marks or of “the characteristics which they project” onto the goods and services identified by Dotcom’ marks and, if it would, whether that is likely to affect the economic behaviour of Beautybay’s customers or potential future customers, i.e. whether Beautybay has, or will, sell more products as a result of the link.

95. There is some evidence that EBAY is a highly trusted brand, but this dates from 2011 (five years after the relevant date) and it is not clear what it was that EBAY was trusted for, even then. Both sides acknowledge that EBAY is well known for the wide range of goods that can be found on its website or bulletin board, but those goods are not selected or shipped by eBay, but by the parties selling goods via its services, who are also responsible for the quality of those goods. It is therefore difficult to see how this aspect of the EBAY’s reputation could transfer to the goods/services covered by Dotcom’s marks.

96. The closest connection between the parties’ goods/services is that EBAY has a reputation as a very successful provider of services for buying and selling online, and Dotcom’s marks cover goods and services that could be, and in fact are, sold online. Searching BEAUTYBAY on Google does not return any hits for EBAY and there is no evidence that searching on EBAY returns hits for BEAUTYBAY (as I am sure there would have been if that were the case). It is not therefore likely that the link I have found would have caused consumers searching for EBAY to visit BEAUTYBAY instead. However, I note that Mr Gabbie’s evidence is that Beautybay’s primary means of advertising is through sponsored Google AdWords. I take this to mean Adwords corresponding to the brands for the products sold on the BEAUTYBAY site. A consumer searching on (say) L’Oreal may therefore return a sponsored hit for BEAUTYBAY, which as I noted above, is returned as BeautyBay(.com) in the list of sponsored ‘hits’.

97. Although the level of similarity between the respective marks is not sufficient to cause consumers to believe that there is an economic connection between the users of EBAY and BEAUTYBAY, it is enough, in my judgment, to cause average consumers to wonder whether BEAUTYBAY might be something to do with EBAY, or whether BEAUTYBAY is an auction site like EBAY, but one specialising in fragrances, cosmetics etc, (i.e. beauty products).

98. Dotcom’s marketing strategy appears to have been based (until fairly recently) on selling goods online at cheaper prices than they could be purchased on the High Street. Indeed Mr Gabbie says that the reason he recently blocked webcrawlers from

accessing the site is that he was concerned about his competitors obtaining Dotcom's prices. That indicates that Dotcom is still, to some extent, selling on price.

99. I have therefore carefully considered whether Dotcom's marks would gain an economic advantage from feeding on EBAY's reputation as a place where low cost goods could be purchased online. The evidence indicates that many cut price products were being sold on EBAY in 2007, including fragrances and cosmetics. The position is unlikely to have been much different in 2006. The rapid expansion in the number of UK users of EBAY between 1999-2006 indicates that the UK public knew that a wide range of products at cut down prices were available for sale on EBAY. That must have been one of the reasons why the use of EBAY expanded so quickly in the UK and elsewhere.

100. It is therefore probable that the link between the marks would cause a section of average consumers to visit BEAUTYBAY in order to see whether BEAUTYBAY was something to do with EBAY, or was an auction site like EBAY, but one specialising in fragrances, cosmetics etc, (i.e. beauty products), where similar 'bargains' could be found. The link between the marks was therefore liable to increase online visitors to the BEAUTYBAY site and that in turn was liable to lead to increased sales of goods under that mark. This is so even though any doubts that such consumers may have had as to whether Beautybay was connected with eBay would have been dispelled after visiting the site.

101. Dotcom's UK sales increased from £750k in 2006 to £4.3m in 2012. UK based visitors to its website also increased from 64k in 2006 to 273k in 2012. The mere fact that Dotcom's business has grown and been successful does not, of course, mean that it has taken advantage of EBAY's reputation. However, it is not inconsistent with such a conclusion.

102. Mr Gabbie adopted the BEAUTYBAY marks because his business sold beauty products and he believed that the BAY element of his marks conveyed the idea of a place from where such goods were sold. I have found that Mr Gabbie believed this because the use of the mark EBAY for a successful online auction website had created that association in his mind. There was therefore an element of copying the idea or concept of the EBAY mark. That is not necessarily the same as saying that Dotcom sought to benefit from the reputation or image of the EBAY mark, but equally the similarity between the parties' marks is more than a mere coincidence.

103. Taking all relevant factors into account, I find that, objectively, the use of BEAUTYBAY takes unfair advantage of EBAY by benefitting from the power of attraction of the EBAY mark and exploiting, without paying any financial compensation, the marketing effort expended by eBay in order to establish its mark.

104. This finding is not undermined by the evidence of use of third party marks such as Coffee Bay, Furniture\_Bay, Invite-Bay, Jewellery Bay and Sticker Bay in June 2013. eBay says such “infringing” uses had ceased by September 2013 (although Mr Baldwin disputed the accuracy of this evidence in respect of one of the marks). I do not find this evidence compelling because, firstly, the extent and length of time of the use of these third party is not clear. Secondly, it is not clear whether or not the users of such marks were themselves taking advantage of links with the EBAY mark. Thirdly, it is not possible to say whether the users of the marks had due cause for their use (whereas it is possible for me to conclude that Dotcom does not have due cause).

### **Detriment to distinctive character**

105. Although eBay’s primary case is that Dotcom’s marks take unfair advantage of EBAY, it maintains its alternative grounds based on detriment to distinctive character and/or reputation. I acknowledge that Dotcom’s use of marks including the distinctive word BAY “to describe a place from where goods could be bought” has the theoretical potential to reduce the distinctiveness of that word as it appears in EBAY. However, it is now well established that in order to establish that the use of a later mark is detrimental to the distinctive character of an earlier mark, it is necessary to establish that there has been a change in the economic behaviour of consumers of the goods or services covered by the earlier mark, or that there is a serious likelihood of such a change in the future.

106. In *Environmental Manufacturing LLP v OHIM*, Case C383/12P, the CJEU stated that:

“37. The concept of ‘change in the economic behaviour of the average consumer’ lays down an objective condition. That change cannot be deduced solely from subjective elements such as consumers’ perceptions. The mere fact that consumers note the presence of a new sign similar to an earlier sign is not sufficient of itself to establish the existence of a detriment or a risk of detriment to the distinctive character of the earlier mark within the meaning of Article 8(5) of Regulation No 207/2009.....”

107. In this connection, I note that the EBAY mark has become more distinctive since 2006, moving from 47<sup>th</sup> to 36<sup>th</sup> in the Interbrand rankings.

108. I find that there is no evidence that the use of Dotcom’s marks has affected the economic behaviour of consumers of EBAY’s services in a way that is detrimental to eBay. Further, I see no serious likelihood of such a change occurring in the future.

109. I therefore reject the s.5(3) ground based on detriment to distinctive character.

## Detriment to EBAY's reputation

110. I earlier rejected as unfounded eBay's submission that Dotcom's marks are associated with poor customer service. There is, of course, always the potential for Dotcom's marks to become associated with negative publicity of one sort or another in future. That is often cited as a head of damage in passing-off cases, but that is a common law tort. Further, misrepresentation is an essential requirement under the law of passing off, whereas all that is required under s.5(3) is the existence of a mental association or "link" between the marks. For both these reasons I do not think that heads of damage under passing-off law can simply be read across as types of detriment to reputation under s.5(3). In *Unite The Union v The Unite Group Plc*<sup>49</sup>, Ms Anna Carboni, as the Appointed Person, considered whether a link between an earlier mark with a reputation and a later mark with the mere potential to create a negative association because of the identity of the applicant, or the potential quality of its goods/services, was sufficient to found an opposition based on detriment to reputation. She said:

"46. Indeed, having reviewed these and other opposition cases, I have not found any in which the identity or activities of the trade mark applicant have been considered in coming to a conclusion on the existence of detriment to repute of an earlier trade mark. I can understand how these matters would form part of the relevant context in an infringement case, but I have difficulty with the notion that it should do so in an opposition. After all, many, if not most, trade mark applications are for trade marks which have not yet been used by the proprietor; some are applied for by a person or entity that intends to license them to a third party rather than use them him/itself; and others are applied for by an entity that has only just come into existence.

47. I do not exclude the possibility that, where an established trading entity applies to register a mark that it has already been using for the goods or services to be covered by the mark, in such a way that the mark and thus the trader have already acquired some associated negative reputation, perhaps for poor quality goods or services, this fact might be taken into account as relevant "context" in assessing the risk of detriment to repute of an earlier trade mark. Another scenario might be if, for example, a trade mark applicant who was a known Fascist had advertised the fact prior to the application that he was launching a new line of Nazi memorabilia under his name: I can see how that might be relevant context on which the opponent could rely if the goods and services covered by the application appeared to match the advertised activities. But I would hesitate to decide an opposition on that basis without having had confirmation from a higher tribunal that it would be correct to take such matters into account."

111. For similar reasons to those expressed above, I do not consider that it is appropriate in these invalidation proceedings to attach weight to the theoretical

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<sup>49</sup> Case BL O/219/13,

possibility of Dotcom's future use of its marks reverberating negatively on the reputation of EBAY. That approach seems particularly appropriate where I have found that the similarity between the marks is insufficient to cause confusion as to the trade source of Dotcom's goods and services.

### **Due cause**

112. It is apparent from *Leidseplein Beheer BV v Red Bull*<sup>50</sup>, that a person may have due cause to use a sign notwithstanding the absence of objectively overriding reasons for doing so. In particular, a party may have due cause to use a sign similar to that of another person's trade mark of repute where the user of the later sign had been using a similar sign for similar goods or services prior to the date of the application for registration of the reputed mark. However, Dotcom's predecessor in business only started using Fragrancebay in 1999, after EBAY was established in the UK in 1997 and was registered as a trade mark in 1998. Therefore, I reject Dotcom's claim to have had due cause to use the BEAUTYBAY marks because of its use of Fragrancebay from 1999 and/or its use of Beautybay from 2005.

113. For the reasons stated at paragraphs 93 – 103 above, the ground of invalidation based on s.5(3) succeeds.

### **Section 5(4)(a)**

114. The requirements for establishing passing-off are well established. They are basically:

- The existence of goodwill under a sign;
- A misrepresentation by the defendant;
- Damage to the goodwill of the claimant.

115. There is no doubt that eBay had built up considerable goodwill in the UK under the sign EBAY by 8 December 2006.

116. However, my earlier finding that there was no likelihood of confusion between EBAY and BEAUTYBAY indicates that the use of the latter mark was not a misrepresentation to the public. If that is right Dotcom was not passing-off and the s.5(4)(a) ground should fail.

117. Ms Himsworth reminded me that there is one possible difference between the position under trade mark law and the position under passing off law. In *Marks and Spencer PLC v Interflora*, [2012] EWCA (Civ) 1501, Lewinson L.J. cast doubt on whether the test for misrepresentation for passing off purposes came to the same

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<sup>50</sup> Case C-65/12

thing as the test for a likelihood of confusion under trade mark law. He pointed out that it is sufficient for passing off purposes that “a substantial number” of the relevant public are deceived, which might not mean that the average consumer is confused. As both tests are intended to be normative measures intended to exclude those who are unusually careful or careless (per Jacob L.J. in *Reed Executive Plc v Reed Business Information Ltd* [2004] RPC 40), it is doubtful whether the difference between the legal tests will (all other factors being equal) produce different outcomes. However, for the avoidance of doubt, I confirm that I have applied the appropriate test for misrepresentation in coming to my decision as to whether there Dotcom’s use of BEAUTY BAY/BEAUTYBAY(.COM) amounts to a misrepresentation to the public. Having done so, I find that it does not. I see no reason why that should be any different going forward.

118. I therefore reject the ground of invalidation based on s.5(4)(a).

### **Outcome**

119. The applications for the invalidation of Dotcom’s marks succeed under s.5(3). The other grounds are rejected.

### **Costs**

120. eBay has been successful and is entitled to a contribution towards its costs. I therefore order Dotcom Retail Limited to pay eBay, Inc. the sum of £3700 as a contribution towards the cost of the proceedings. The sum is calculated as follows:

£1000 for filing the applications for invalidation and considering the counterstatements;  
£1500 for considering eBay’s evidence and filing evidence in reply;.  
£1500 for attending the substantive hearing;

Reduced by £300 as a contribution towards the cost of Dotcom attending a Case Management Conference (“CMC”) on 3 December 2013, partly occasioned by eBay’s attempt to file evidence obtained from a public survey without permission.

121. I have taken into account that the CMC held on 3 December was also required in order to deal with Dotcom’s unsuccessful attempt to have Mr Felman’s statement, and part of Ms Leavitt’s statement, excluded on the basis that it was not evidence in reply. I have nevertheless decided to award Dotcom a contribution towards the cost of the CMC (at which the evidence obtained from a survey was excluded because the questions were leading) as a sign of the tribunal’s displeasure at eBay’s attempt to file such evidence without permission, contrary to Tribunal Practice Notice 2/2012.

122. I have noted two further matters. Firstly, Dotcom had to deal with a request made on behalf of eBay on 13 December 2013 for leave to appeal the decision to exclude its survey evidence (which was refused). Secondly, eBay had to deal with Dotcom's initial objections to its very late request to cross examine Mr Gabbie at the hearing, which necessitated a second CMC on 14 May 2014. I don't consider that these matters justify a further award of costs to either side.

123. The sum of £3700 should be paid within seven days of the expiry of the appeal period.

**Dated this 5th day of August 2014**

**Allan James  
For the Registrar**