

**O-379-19**

**TRADE MARKS ACT 1994**

**IN THE MATTER OF:**

**APPLICATION No. 3260342**

**BY YS GARMENTS, LLC**

**TO REGISTER:**

**NEXT LEVEL**

**IN CLASS 25**

**AND**

**OPPOSITION THERETO (UNDER No 411750)**

**BY NEXT RETAIL LIMITED**

## **Background**

1. The relevant details of the application the subject of these proceedings are as follows:

Mark:	<b>NEXT LEVEL</b>
Filing date:	29 September 2017
Publication date:	24 November 2017
Applicant:	YS Garments, LLC

**Class 25** - Clothing, footwear, headgear; clothing for leisure wear; casual clothing; casual shirts; casual trousers; knitted clothing; leather clothing; linen clothing; windproof clothing; woolen clothing; articles of clothing made of leather; ladies' clothing; ladies' underwear; menswear; men's and women's jackets, coats, trousers, vests; bermuda shorts; blazers; blouses; braces for clothing; button down shirts; cagoules; camisoles; capelets; cardigans; cargo pants; cashmere clothing; chino pants; collared shirts; corduroy pants; corduroy shirts; corduroy trousers; coveralls; crew neck sweaters; culottes; dresses; fleece shorts; fleece tops; fleece vests; halter tops; hooded pullovers; hooded sweatshirts; hooded tops; jeans; jerseys; jodhpurs; jumper dresses; jumpers; jumpsuits; khakis; long sleeve pullovers; v-neck sweaters; t-shirts; tank tops; trousers; tunics; turtlenecks; under shirts; parkas; ponchos; polo shirts; polo sweaters; rompers; shirts; skirts; skorts; socks; stockings; stretch pants; sundresses; sweatpants; mock turtlenecks; articles of sports clothing; gymwear; athletic clothing; athletic tights; athletic uniforms; athletics hose; athletics vests; sports jackets; sports jerseys; sports pants; sports shirts; sports socks; sportswear; jogging bottoms; jogging tops; outerwear; articles of outer clothing; bomber jackets; coats; coats for men; coats for women; coats made of cotton; donkey jackets; down jackets; duffel coats; dust coats; denim coats; denim jackets; denim jeans; denim pants; rainwear; raincoats; rain suits; rain jackets; thermal clothing; thermal socks; thermal underwear; thermally

insulated clothing; underclothing; boxer briefs; boxer shorts; bralettes; bras; briefs; knickers; lounging robes; nightwear; pajamas; beachwear; bikinis; swim suits; belts [clothing]; belts made of leather; belts made from imitation leather; belts of textile; hats; bandanas; beanies; caps; earbands; fashion hats; head sweatbands; headbands; hoods [clothing]; ankle socks; anklets [socks]; leg warmers; tights; non-slip socks; scarfs; cashmere scarves; handwarmers [clothing]; neck scarves; neck tubes; neckbands; mufflers; muffs; mittens; gloves; shoes; sneakers; trainers [footwear]; athletic footwear; casual footwear; exercise wear; footwear for use in sport; gymwear; leisure shoes; jogging shoes; rain shoes; rubber shoes; sandals and beach shoes; boots.

2. Registration of the mark is opposed by Next Retail Limited (“the opponent”). Its grounds of opposition are based on sections 5(2)(b) & 5(3) of the Trade Marks Act 1994 (“the Act”). The opponent relies on four earlier marks: European Union Trade Mark (“EUTM”) registrations 17607474 & 15594, and UK trade mark registrations 2453621 & 2026917. All of the marks consist of the word NEXT, albeit in two cases those words are stylised. I will come on to the more specific parts of the pleadings later.

3. All of the opponent’s marks were filed before the applicant’s mark, so meaning that they qualify as earlier marks in accordance with section 6 of the Act. Three of the earlier marks were registered before the period of 5 years ending on the date the applicant’s mark was published for opposition purposes, so meaning that the use conditions set out in section 6A apply. However, one of the marks, EUTM registration 17607474, was registered within that five-year period (not before) which means that the provisions do not apply, and, so, the earlier mark may be taken into account for its full specification (to the extent relied upon) without having to prove use.

4. The applicant filed a counterstatement denying the grounds of opposition.

5. Both sides filed evidence and written submissions. A hearing took place before me on 12 June 2019 at which Mr Julius Stobbs, of Stobbs IP represented the applicant, and at which Ms Alaina Newnes, of counsel, instructed by Marks & Clerk LLP, represented the opponent.

## **The evidence**

6. Rather than provide a standalone evidence summary, I will, instead, refer to the pertinent parts of the evidence when it is necessary to do so. However, for the record, those who have given evidence (and about what) is as follows.

For the opponent – a witness statement from Ms Sarah Louise Waterland, the opponent’s deputy general counsel. Her evidence is about the use and reputation of the opponent’s marks.

For the applicant – a witness statement from Mr Blake Robinson, the legal representative of the applicant, who works for Stobbs IP. His evidence is about: i) the meaning of the phrase NEXT LEVEL, ii) the applicant’s use in what is described as the “blanks” industry, and iii) the use of the word NEXT in the clothing field by two businesses (unrelated to the parties) .

For the opponent, in reply – a witness statement of Mr Hernan Rios, the legal representative of the opponent, who works for Marks & Clerk LLP. He comments and responds to the applicant’s evidence, on the three issues outlined above.

7. I begin this decision with the grounds of opposition under section 5(2)(b) of the Act, focusing, at least initially, on the earlier mark which is not subject to proof of use.

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

8. Section 5(2)(b) of the Act states that:

“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,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.”

9. The following principles are gleaned from the judgments of the EU courts in *Sabel BV v Puma AG*, Case C-251/95, *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc*, Case C-39/97, *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, *Matratzen Concord GmbH v OHIM*, Case C-3/03, *Medion AG v. Thomson Multimedia Sales Germany & Austria GmbH*, Case C-120/04, *Shaker di L. Laudato & C. Sas v OHIM*, Case C-334/05P and *Bimbo SA v OHIM*, Case C-591/12P:

(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 be dominated by one or more of its components;

(f) however, it is also 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 of that mark;

(g) a lesser degree of similarity between the goods or services may be offset by a greater 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.

### **Comparison of goods/services**

10. As can be seen in the specification listed in paragraph 1 above, the applicant seeks registration for a range of goods in class 25, specifically, clothing, footwear and headgear, and specific examples of the same. The earlier mark's specification covers goods in class 25, including clothing, footwear and headgear. It is clear that the applied for terms are either literally identical, or else fall within the ambit of one, or other, of the opponent's broad terms and, as such, are considered identical on an inclusion basis<sup>1</sup>.

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<sup>1</sup> See, for example, Case T- 133/05, of the General Court.

11. The opponent also relies on its services in class 35. Although it is difficult to see how such reliance can put the opponent in any better position than it is with regard to the identical goods in class 25, I record here that the applied for goods are to be regarded<sup>2</sup> as having a medium level of similarity to the class 35 services relating to the retailing of clothing given the complementarity that exists between clothing on the one hand and the retailing of the same, on the other.

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

12. 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*, Case C-342/97. In *Hearst Holdings Inc, Fleischer Studios Inc v A.V.E.L.A. Inc, Poeticgem Limited, The Partnership (Trading) Limited, U Wear Limited, J Fox Limited*, [2014] EWHC 439 (Ch), Birss J. described the average consumer in these terms:

“60. The trade mark questions have to be approached from the point of view of the presumed expectations of the average consumer who is reasonably well informed and reasonably circumspect. The parties were agreed that the relevant person is a legal construct and that the test is to be applied objectively by the court from the point of view of that constructed person. The words “average” denotes that the person is typical. The term “average” does not denote some form of numerical mean, mode or median.”

13. The goods at issue are in the clothing/footwear/headgear field. The average consumer is a member of the general public. Such items are not, generally speaking, greatly expensive. Some care will be taken in respect of style, colour, fitness for purpose etc. I consider that this equates to a reasonable, no higher or lower than the norm, level of care and consideration. The goods will be perused in traditional bricks and mortar retail establishments and their online equivalents. The goods and the

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<sup>2</sup> Having paid due regard to the decisions in *Oakley, Inc v OHIM*, Case T116/06 and *Tony Van Gulck v Wasabi Frog Ltd*, Case BL O/391/14).

marks used in relation to them may be seen in advertisements and on websites. This means that the visual impression of the marks may take on more significance, but the aural impact of the marks should not be ignored from the assessment completely. For the sake of completeness, I return later to the applicant's points about the fashion blanks industry.

### **Comparison of marks**

14. 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. The CJEU stated at paragraph 34 of its judgment in Case C-591/12P, *Bimbo SA v OHIM*, that:

“.....it is necessary to ascertain, in each individual case, the overall impression made on the target public by the sign for which registration is sought, by means of, inter alia, an analysis of the components of a sign and of their relative weight in the perception of the target public, and then, in the light of that overall impression and all factors relevant to the circumstances of the case, to assess the likelihood of confusion.”

15. It would be wrong, therefore, to artificially dissect the trade marks, although it is necessary to take into account the distinctive and dominant components of the marks and to give due weight to any other features which are not negligible and therefore contribute to the overall impressions created by the marks. The marks to be compared are:

next

v

## NEXT LEVEL

16. The opponent's mark comprises just one component, the word "next" in a slightly stylised font. That component is, thus, the only thing that contributes to its overall impression. Whilst the stylisation is not negligible, it is clearly the word itself which makes the greatest contribution to the mark. In terms of the applied for mark, this comprises two words, NEXT and LEVEL. Neither word is presented in a way which gives it any materially greater level of impact than the other, so they play a roughly equal contribution to the overall impression of the mark. The words combine to form a unit and, in this case, it is the two-word combination in which the overall impression lies.

17. Both visually and aurally, the marks have some similarity because the word next/NEXT, which will be seen and heard in both marks, is common to both. However, there are also differences, principally because of the absence/presence of the word LEVEL. The stylisation of the mark has limited impact because it is not significant and, furthermore, the applied for mark could notionally be used in a stylised font also. Similarly, the difference in casing is not a factor because the applied for mark could notionally be used in an upper and lower-case font. Bearing all this in mind, together with my assessment of the overall impression of the marks, I consider all of this equates to a medium level of visual and aural similarity.

18. That then leads to the conceptual comparison. Mr Stobbs argued that the marks are conceptually different, as the words NEXT LEVEL have their own specific meaning indicating something which surpasses all others (being on the next level to something else) compared to the meaning of "next" *per se*, which relates simply to coming immediately after something else. Ms Newnes arguments were two- fold. First, that NEXT LEVEL might not be seen as a complete phrase and could instead be seen as

independent elements, the first component of which is conceptually identical to the earlier mark. Second, that even if the applied for mark was seen as a unit or phrase, both marks still conjured up something that was next. I reject the first argument, not only because NEXT LEVEL is a known phrase (one can take something to the “next level”) but also because on any basic interpretation and grammatical construction, the words naturally form a unit. In relation to the second point, whilst both marks do make use of the same word, the overall concepts differ given the specific meaning of NEXT LEVEL.

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

19. Having compared the marks, it is necessary to determine the distinctive character of the earlier mark, in order to make an assessment of the likelihood of confusion. In *Lloyd Schuhfabrik Meyer & Co. GmbH v Klijsen Handel BV*, the CJEU stated that:

“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 *WindsurfingChiemsee v Huber and Attenberger* [1999] ECR I-0000, paragraph 49).

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).<sup>3</sup>

20. From an inherent perspective, Mr Stobbs argued that the word NEXT was inherently weak because it was a word commonly used in trade, albeit in conjunction with other words e.g. next day delivery. He said any distinctiveness the mark had comes from its brevity. I agree that, inherently speaking, the word NEXT may not be highly distinctive. However, despite this, and whilst the word could be used as part of longer descriptive phrases, it does not follow that the mark is necessarily weak in inherent distinctiveness. In my view, the absence of any specific context endows it with a moderate level of inherent distinctiveness (i.e. between low and medium).

21. That then leads to the evidence of use filed by the opponent and whether it has enhanced the inherent level of distinctiveness. However, before coming to that point, I should deal with a pleadings point raised by Mr Stobbs. He submitted that this factor (enhanced distinctiveness) should not be considered because it was not pleaded in the opponent's statement of case. In its notice of opposition (Form TM7), the opponent listed a number of points as to why there was a likelihood of confusion. It is fair to say that an enhanced level of distinctiveness was not specifically mentioned. Ms Newnes argued that such specificity was not needed and, given the evidence filed, the applicant could have been left in no doubt that enhanced distinctiveness was being relied upon. In my view, and whilst I accept the general point that pleadings should be as full as possible so as to set out the scope of the dispute, the absence of any specific reference in the pleadings to enhanced distinctiveness is not fatal to the opponent's case. This is because the assessment of distinctiveness is one of the fundamental factors that needs to be assessed in every case and, as is clear from the case-law, this can come from either the inherent nature of the mark, its use, or indeed a combination of both. Therefore, if evidence has been filed, which it has in the case before me, it is incumbent upon me to factor that evidence into the assessment to decide upon the overall distinctiveness of the earlier mark. It would be perverse to do otherwise, as it would require a pretence as to the true level of distinctiveness on the part of the average consumer, based on a technicality.

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<sup>3</sup> C-342/97, paras. 22-23

22. In terms of the evidence filed, this comes from Ms Waterland. The opponent is a fashion retailer, which also sells other goods such as home furnishings. There are some basic indicators in the evidence which, in my view, demonstrate that, as a retailer, it is very well known in the UK. These include:

- It has operated under the “next” mark since 1982.
- It has 512 branches in the UK.
- It also retails goods through a home shopping catalogue, NEXT DIRECTORY.
- It sends its catalogues to large numbers of customers in the UK, between 2009 and 2014 this equated to between 2 and 3 million customers.
- Sales figures and advertising expenditure are very significant.
- Most of its sales are in the fashion area (around 11% are non-fashion items).
- Its website received over 20 million hits in April of each year, 2013-2016.
- All of the examples of use prominently feature the word “next”, often stylised as per the earlier mark.
- There is a broad range of fashion items being sold in the material presented.

23. The above is just a snap shot. Having fully considered the evidence filed, I have no hesitation in holding that the opponent’s earlier mark has a strong reputation as a retailer of fashion items. Therefore, from this perspective, the distinctiveness of the earlier mark is enhanced, resulting in a highly distinctive mark for retail services connected with the sale of clothing items.

24. The bigger area of dispute at the hearing was the significance of the evidence in relation to clothing items. Whilst the evidence shows that a wide range of clothing items have been sold by the opponent via its various retail channels, it also shows that third party brands form part of this offering. I note that when referring to its sales figures

the witness refers to NEXT branded goods, however, I share Mr Stobbs' reservations that such a distinction (between third party brands and "next" branded goods) may not have been in her mind. This is because at no point in the evidence does the witness even mention such a distinction. Both representatives took me through the evidence of "next" branded goods. There is clearly some use on a variety of clothing items. Mr Stobbs' primary position was that the opponent's case was not made out, although, as a fall back, he argued that use (and reputation were I to find it) would be for a more limited range of goods (as outlined in paragraph 13 and 17 of his skeleton argument). In my view, and whilst I accept that the evidence could and should have been marshalled better, use and reputation has been shown across a range of clothing items. The breadth of use, when looked at in the round, is sufficient for me to find that the reputation of the "next" brand is not just as a retailer, but also of clothing, footwear and headgear products – that is how, even if it also sells third party brands, the average consumer will regard the use and reputation. The earlier mark is highly distinctive through use.

### **Likelihood of confusion**

25. The factors assessed so far have a degree of interdependency (*Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc*, paragraph 17), a global assessment of them must be made when determining whether there exists a likelihood of confusion (*Sabel BV v. Puma AG*, paragraph 22). However, there is no scientific formula to apply. It is a matter of considering the relevant factors from the viewpoint of the average consumer and determining whether they are likely to be confused. Confusion can be direct (which effectively occurs when the average consumer mistakes one mark for the other) or indirect (where the average consumer realises the marks are not the same, but puts the similarity that exists between the marks and goods/services down to the responsible undertakings being the same or related). In terms of indirect confusion, this was dealt with by Mr Iain Purvis QC, sitting as the Appointed Person, in *L.A. Sugar Limited v By Back Beat Inc*, Case BL-O/375/10 where he 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 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”.

26. I can easily rule out the likelihood of direct confusion. Despite the goods being identical, and despite the earlier mark having a high degree of distinctiveness, and despite there being a medium degree of similarity from an aural and visual perspective, the additional word LEVEL in the applied for mark is unlikely to be overlooked, mis-recalled or misremembered, especially in view of the specific concept that NEXT LEVEL provides in contrast to the word next *per se*. As has been stated many times by the courts, conceptual differences may have a counteractive effect on the other aspects of similarity (see, for example, Case C-361/04 *P Ruiz-Picasso and Others v OHIM* [2006] ECR I-643), although I accept that this is not always the case (see the General Court’s judgment in *Nokia Oyj v Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM) Case T-460/07*). In the case before me, the combination of factors leads me to conclude that there is no likelihood of direct confusion.

27. That then leads to indirect confusion. Ms Newnes’ submissions on this front focused on the fact that NEXT could be seen as an independent element within NEXT LEVEL, with confusion arising as per the *Medion* case. She further argued that NEXT LEVEL could be seen as a variant brand, in a similar way to the way in which the opponent has made use of the mark NEXT SIGNATURE, in relation to some of its goods. Mr Stobbs argued that *Medion* did not apply because NEXT did not perform an independently distinctive role in NEXT LEVEL and, further, that the construction of NEXT LEVEL, and its known concept, meant that it would not be seen as a variant brand. In relation to the NEXT SIGNATURE argument, he submitted that this was not on a par.

28. I agree with Mr Stobbs that this is not a true *Medion* scenario. Arnold J provided guidance on the application of *Medion* (and other cases) in *Whyte and MacKay Ltd v Origin Wine UK Ltd & Anor* [2015] EWHC 1271 (Ch) (06 May 2015):

“17. I reviewed *Medion v Thomson* and six subsequent cases in *Aveda Corp v Dabur India Ltd* [2013] EWHC 589 (Ch), [2013] ETMR 33 at [19]-[38]. I shall take that analysis as read, and will not repeat it here. Since then, the CJEU has given judgment in Case C-591/12 P *Bimbo SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [EU:C:2014:305]. The facts of that case and the reasoning of the General Court are summarised in *Aveda v Dabur* at [36]-[38]. The Court of Justice dismissed the applicant's appeal, holding:

"22. The assessment of the similarity between two marks means more than taking just one component of a composite trade mark and comparing it with another mark. On the contrary, the comparison must be made by examining each of the marks in question as a whole (*OHIM v Shaker* EU:C:2007:333, paragraph 41).

23. The overall impression conveyed to the relevant public by a composite trade mark may, in certain circumstances, be dominated by one or more of its components. However, it is only if all the other components of the mark are negligible that the assessment of the similarity can be carried out solely on the basis of the dominant element (*OHIM v Shaker* EU:C:2007:333, paragraphs 41 and 42, and *Nestlé v OHIM* EU:C:2007:539, paragraphs 42 and 43 and the case-law cited).

24. In this connection, the Court of Justice has stated that it is possible that an earlier mark used by a third party in a composite sign that includes the name of the company of the third party retains an independent distinctive role in the composite sign. Accordingly, in order to establish the likelihood of confusion, it suffices that, on account of the earlier mark still having an independent distinctive role, the public

attributes the origin of the goods or services covered by the composite sign to the owner of that mark (Case C-120/04 *Medion* EU:C:2005:594, paragraphs 30 and 36, and order in Case C-353/09 P *Perfetti Van Melle v OHIM* EU:C:2011:73, paragraph 36).

25. None the less, a component of a composite sign does not retain such an independent distinctive role if, together with the other component or components of the sign, that component forms a unit having a different meaning as compared with the meaning of those components taken separately (see, to that effect, order in Case C-23/09 P *ecoblue v OHIM and Banco Bilbao Vizcaya Argentaria* EU:C:2010:35, paragraph 47; *Becker v Harman International Industries* EU:C:2010:368, paragraphs 37 and 38; and order in *Perfetti Van Melle v OHIM* EU:C:2011:73, paragraphs 36 and 37).

26. In the present case, the General Court found, in paragraphs 79 and 81 of the judgment under appeal, that, even if the element 'bimbo' were dominant in the trade mark for which registration was sought, the 'doughnuts' element was not negligible in the overall impression produced by that trade mark and, accordingly, the 'doughnuts' element had to be taken into account in the comparison of the trade marks at issue.

27. In paragraph 97 of that judgment, the General Court stated that, since the 'doughnuts' element is wholly meaningless for the relevant public, that element did not form, together with the other element of the sign, a unit having a different meaning as compared with the meaning of those elements taken separately. It accordingly found that the 'doughnuts' element still had an independent distinctive role in the trade mark for which registration was sought and had therefore to be taken into account in the global assessment of the likelihood of confusion.

28. In paragraph 100 of the judgment under appeal, the General Court held that, in the light of all factors relevant to the case, the global assessment confirmed the Board of Appeal's conclusion that there was a likelihood of confusion.

29. Accordingly, the General Court did not conclude that there was a likelihood of confusion merely from the finding that, in the trade mark applied for, the 'doughnuts' element has an independent distinctive role, but based its conclusion in that regard on a global assessment that included the different stages of the examination required under the case-law referred to in paragraphs 19 to 25 above, and in the course of which it took into account the factors of the case. It thus correctly applied Article 8(1)(b) of Regulation No 40/94.

...

33. ... in so far as Bimbo argues that the General Court disregarded the rule that a finding that one component of a composite sign has an independent distinctive role constitutes an exception, that must be duly substantiated, to the general rule that the consumer normally perceives a trade mark as a whole, it should be pointed out that the purpose of examining whether any of the components of a composite sign has an independent distinctive role is to determine which of those components will be perceived by the target public.

34. Indeed, as the Advocate General observed in points 25 and 26 of his Opinion, it is necessary to ascertain, in each individual case, the overall impression made on the target public by the sign for which registration is sought, by means of, *inter alia*, an analysis of the components of a sign and of their relative weight in the perception of the target public, and then, in the light of that overall impression and all factors relevant to the circumstances of the case, to assess the likelihood of confusion.

35. The determination of which components of a composite sign contribute to the overall impression made on the target public by that sign is to be undertaken before the global assessment of the likelihood of confusion of the signs at issue. Such an assessment must be based on the overall impression produced by the trade marks at issue, since the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details, as has been stated in paragraph 21 above. Therefore, this does not involve an exception, that must be duly substantiated, to that general rule.

36. Moreover, the individual assessment of each sign, as required by the settled case-law of the Court of Justice, must be made in the light of the particular circumstances of the case and cannot therefore be regarded as being subject to general presumptions. As the Advocate General observed in point 24 of his Opinion, it is clear, in particular, from the case-law subsequent to *Medion* (EU:C:2005:594), that the Court of Justice did not introduce, in that judgment, a derogation from the principles governing the assessment of the likelihood of confusion."

18. The judgment in *Bimbo* confirms that the principle established in *Medion v Thomson* is not confined to the situation where the composite trade mark for which registration is sought contains an element which is identical to an earlier trade mark, but extends to the situation where the composite mark contains an element which is similar to the earlier mark. More importantly for present purposes, it also confirms three other points.

19. The first is that the assessment of likelihood of confusion must be made by considering and comparing the respective marks - visually, aurally and conceptually - as a whole. In *Medion v Thomson* and subsequent case law, the Court of Justice has recognised that there are situations in which the average consumer, while perceiving a composite mark as a whole, will also perceive that it consists of two (or more) signs one (or more) of which has a distinctive significance which is independent of the significance of the whole, and thus

may be confused as a result of the identity or similarity of that sign to the earlier mark.

20. The second point is that this principle can only apply in circumstances where the average consumer would perceive the relevant part of the composite mark to have distinctive significance independently of the whole. It does not apply where the average consumer would perceive the composite mark as a unit having a different meaning to the meanings of the separate components. That includes the situation where the meaning of one of the components is qualified by another component, as with a surname and a first name (e.g. BECKER and BARBARA BECKER).

21. The third point is that, even where an element of the composite mark which is identical or similar to the earlier trade mark has an independent distinctive role, it does not automatically follow that there is a likelihood of confusion. It remains necessary for the competent authority to carry out a global assessment taking into account all relevant factors.”

29. Given what I have already said about the conceptual significance of NEXT LEVEL, I come to the view that NEXT within NEXT LEVEL would not be perceived as having distinctive significance independently of the whole – this is because the average consumer would perceive NEXT LEVEL as a unit having a different meaning to the meaning of the word NEXT separately.

30. That NEXT (within NEXT LEVEL) does not have independent distinctive significance is not the end of the matter. Indirect confusion could still be found if the average consumer assumes that the inclusion of the word NEXT within NEXT LEVEL is indicative of a same stable product. Ms Newnes gave NEXT SIGNATURE as an example. Such a phrase could also be seen as a unit, but she argued that it would still be regarded (and in fact is used and regarded) as a NEXT variant brand. Whilst I understand the argument, I do not agree that NEXT LEVEL would be seen in the same way. This is because SIGNATURE is a known term often used to indicate a designer’s signature range, with the consequence that NEXT SIGNATURE (irrespective that the words could still form a unit) might be perceived as NEXT’s SIGNATURE range. The

same does not apply to NEXT LEVEL, what would be NEXT's LEVEL range? Ms Newnes further argued that the average consumer, aware of the opponent's reputation, would simply see the reference to NEXT LEVEL as indicating NEXT's high quality (surpassing all others) range. Again, I understand the argument, but I think this would require too great a level of mental arithmetic to reach that view.

31. In its reply evidence, the opponent's witness stated that the conceptual meaning of NEXT LEVEL has no relevance given that the earlier mark is so well known, and it flags up a decision of the EUIPO in which an opposition against NEXT LEVEL by the opponent was upheld. I do not agree. As stated earlier, I accept that the earlier mark has a high level of distinctiveness through use. However, it is also an ordinary English word. In my view, when coupled with the word LEVEL and the conceptual meaning this creates, the average consumer will not see NEXT within that unit as indicating a same stable product from the opponent. The decision of the EUIPO, whilst borne in mind, does not alter my view. I should also add that whilst I find in favour of the applicant, the cases they quoted involving the marks NEXT STATION and NEXT LEVEL IMPACT, and the use of the word NEXT by two other business (NEXTGEN CLOTHING and NEXT GOAL WINS) has had no impact on my decision given the need to consider each case (and scenario) on its own merits. The ground of opposition fails.

### **The applicant's fall-back scenario**

32. In its skeleton argument, the applicant proposed an alternative specification i.e. it could limit its specification to the fashion blanks industry. In its evidence, the applicant provided material showing that this relates to the provision of blank items of clothing that can be sold to print wear or fashion companies upon which they print their own logos/brands.

33. This alternative proposal does not need to be formally considered because the applicant has succeeded under section 5(2), so a fall-back is not required. However, in case of appeal, I should add that the alternative proposal does not assist. This is for two main reasons. First, the specification of the earlier mark includes all clothing in all sectors, it is not limited, so the goods are still identical. Second, the opponent's reply

evidence shows that fashion blanks can still reach the market in similar ways to normal clothing (sales on Amazon are provided to illustrate the point) so it is unlikely that such a limitation would avoid confusion (if I had held that confusion was likely).

### **Other earlier marks**

34. There are three other earlier marks to consider. Although I express my views very briefly, the ground under section 5(2)(b) fails for all. This is because the other marks all still consist of the word NEXT either with minimal stylisation or no stylisation. Whilst the mark I have based my findings on thus far contained a degree of stylisation, it had minimal impact on my assessment. Even looking at the NEXT plain word mark, whilst it could be said to be visually closer, it is not in my view materially so. The same conceptual difference exists. There is no likelihood of confusion, direct or otherwise, in respect of the three remaining marks.

35. I should add for the sake of completeness, that if the opponent had had to rely on these marks, I would have accepted that genuine use had been made of them at least in relation to clothing, footwear and headgear (and the retailing thereof), consistent with my earlier expressed views on the opponent's evidence.

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

36. Section 5(3) states:

“5(3) A trade mark which (a) is identical with or similar to an earlier trade mark, shall not be registered if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom (or, in the case of a European Union trade mark or international trade mark (EC), in the European Union) and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.”

37. The 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, *Adidas-Salomon*, [2004] ETMR 10 and C-487/07, *L'Oreal v Bellure* [2009] ETMR 55 and Case C-323/09, *Marks and Spencer v Interflora*.

38. The law appears to be as follows.

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

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

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

(d) Whether such a link exists must be assessed globally taking account of all relevant factors, including the degree of similarity between the respective marks and between the goods/services, the extent of the overlap between the relevant consumers for those goods/services, 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 risk 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).

38. Mr Stobbs relied upon a further pleading point to submit that this ground of opposition should fail. His point has more substance here. When explaining the basis of its opposition under section 5(3), in each case the opponent ticked question 3 of the TM7 and so indicated that it believed the heads of damage would arise due to an erroneous belief that the undertakings responsible for the respective marks were economically linked. There is nothing wrong with that pleading, albeit it is one that is bound to fail because I have already held under section 5(2)(b) that there will be no assumption on the part of the average consumer that the goods come from the same or economically linked undertaking. Mr Stobbs point was that the other pleadings took matters no further forward because they were all still predicated upon there being an

economic connection of some form between the parties. The relevant pleadings can be seen below:

In relation to unfair advantage: "The Opponent submits that use of the applied for mark by the Applicant would take unfair advantage of the distinctive character and reputation of the earlier trade mark. The high level of similarity between the signs means that the consumer will assume that the goods of the applicant have the same commercial origin as those of the Opponent. It is submitted that the Applicant would benefit from the reputation of the Opponent's mark. This may result in the diversion of sales which will benefit the Applicant or an initial interest from consumers thinking that the goods of the Applicant are connected with the Opponent".

In relation to tarnishing: "The Opponent submits that the use of the applied for mark by the Applicant would be detrimental to the reputation of the earlier trade mark. The adoption of the mark applied for by the Applicant would cause detriment to the reputation of the Opponent's trade mark. The Opponent is a substantial company with an international retail business and reputation. The Opponent's marks have been used extensively within the European Union and in particular the United Kingdom and the Republic of Ireland. The Opponent has an annual turnover in excess of £4billion, over 4 million active customers on their mail order database and more than 500 stores in the United Kingdom alone. There is a real damage to the reputation of the Opponent's mark if the relevant public are led to believe, by the use of the applied for mark, that any goods offered by the Applicant and those of the Opponent are provided by the same undertaking. In the event that customers are deceived, the Opponent will be prevented from maintaining the integrity of its customer base and/or will suffer loss of sales, resulting in damage."

In relation to dilution: "The Opponent submits that the use of the applied for mark by the Applicant would be detrimental to the distinctive character of the earlier trade mark. The adoption of a mark that is highly similar to the Opponent's mark would cause detriment to the distinctive character of the Opponent's trade mark through dilution of that distinctive character. This would

cause the Opponent's trade mark to lose some or all of its ability to identify the origin of the goods/services for which it is registered."

39. Ms Newnes argued that the pleading was still broad enough as a whole to include an argument based on something other than there being an economic connection and, in any event, even if this were not strictly true, the opponent should not be shut out from making its claim on the basis of a technicality.

40. In my view, Mr Stobbs is at least partially correct. In the pleadings for unfair advantage and tarnishing, it is clear that such damage is based upon economic connection. It is important in a section 5(3) claim to understand the nature of the claimed damage and how that might arise. Depending on how it is pleaded will impact on how a party responds to it. Consequently, I agree that the pleading limits the opponent's case in relation to unfair advantage and tarnishing to a head of damage which arises from a member of the relevant public assuming that the parties are economically connected. As stated in paragraph 38, the opponent's case fails on this basis, consistent with my earlier finding that there will be no such assumption.

41. The position in relation to dilution, however, is not the same. There is no mention in the pleading of economic connection. Consequently, the claim may be considered. Given that I am proceeding to consider the dilution claim, I will also take into account unfair advantage and tarnishing, in case I am held to be wrong on the pleading point.

### **Reputation**

42. Given my comments in relation to enhanced distinctiveness, I am satisfied that the earlier mark passes the reputation hurdle, indeed, in relation to at least clothing and the retail of clothing, I consider the earlier mark to have a strong reputation.

### **The link**

43. As stated above, the existence of a link requires a global assessment. Some of those factors go in favour of the opponent. The goods are identical and the earlier mark has a strong reputation. Nevertheless, I am not persuaded that a link will be

made. Whilst the level of similarity required to create a link can be less than that required to cause confusion, the nature of the word NEXT in conjunction with another word i.e. LEVEL, the totality of which creates a clear conceptual difference, results, here, in the next brand not even being brought to mind.

44. The grounds of opposition fails under section 5(3). This also applies to the other three marks relied upon.

### **Conclusion**

45. The opposition fails. As such, and subject to any successful appeal, the applied-for mark may proceed to registration.

### **Costs**

46. I have determined these proceedings in favour of the applicant. It is, therefore, entitled to an award of costs. The applicant sought off scale costs because of what it regarded as the amount of irrelevant evidence filed by the opponent (and given that it was over the normal 300 page limit) and, further, that a case-management conference ("CMC") took place in relation to a confidentiality request, which the opponent simply dropped after the CMC.

47. In relation to the above, I agree with Ms Newnes that off scale costs are not appropriate for simply dropping a confidentiality claim, even after a CMC, although the applicant should have some contribution for attending in such circumstances. In relation to the evidence, I do not consider that its nature is such to justify an off scale costs award, however, given its lack of focus (and the need for the applicant to consider it), an award slightly higher than I may otherwise have given is appropriate.

48. I award the applicant the sum of £2000 as a contribution towards the costs of the proceedings. The sum is calculated as follows:

Considering the statement of case and filing a counterstatement: £300

Attending the CMC: £100

Considering and filing evidence: £1000

Preparing for and attending the hearing: £600

49. I therefore order Next Retail Limited to pay YS Garments, LLC the sum of £2000. The above sum should be paid within 21 days of the expiry of the appeal period or, if there is an appeal, within 21 days of the conclusion of the appeal proceedings.

**Dated this 8th day of July 2019**

**Oliver Morris**

**For the Registrar**

**the Comptroller-General**