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IN THE MATTER OF THE TRADE MARKS ACT 1994

IN THE MATTER OF APPLICATION NUMBERS 3,161,115, 3,161,117 and 3,161,373

AND IN THE MATTER OF AN APPEAL FROM THE DECISION OF GEORGE SALTHOUSE (O/88/18) DATED 5 FEBRUARY 2018 AND HIS SUPPLEMENTARY COSTS DECISION (O/170/18) DATED 15 MARCH 2018.

DECISION

Introduction

1. This is an appeal from the decision of Mr George Salthouse, for the Registrar, dated 5 February 2018 (O/88/18) and his subsequent costs decision dated 15 March 2018 (O/170/18), in the first decision he dismissed the opposition of Lions Gate Entertainment Inc to the applications of the Telegraph Media Group for three marks: BE:FIT (No 3,161,115), BE:FIT LONDON (No 3,161,117) and the following device mark (No 3,161,373):



2. All three marks were applied for in relation to goods in classes 9, 16, 26 and services in classes 35, 36, 41, 43 and 44. The Be:Fit mark was also applied for in classes 5 and 32 and the other two marks were also applied for in relation to classes 38 and 42.
3. Lions Gate Entertainment Inc based its opposition on its European Union trade mark, LIONSGATE BEFIT (EU No 14,744,171) which is registered for a very large range of goods and services in classes 5, 9, 25, 28, 38, 41 and 42 and it also claimed earlier rights for the purposes of section 5(4).
4. The opposition was originally based on sections 5(2)(b), 5(3), 5(4)(a) and 56 of the Trade Marks Act 1994. However, the section 56 ground was withdrawn just before the hearing. The Hearing Officer rejected the opposition on all the other grounds. Lions Gate Entertainment appealed his decision in respect of section 5(2)(b) only. The Respondent did not play any part in the appeal having elected not to submit written submissions.

Approach to appeal

5. The principles applicable on appeal from the registrar were considered in *TT Education Ltd v Pie Corbett Consultancy* [2017] RPC 17, by Daniel Alexander QC sitting as the Appointed Person. After reviewing the authorities (in particular: *REEF* [2002] EWCA Civ 763; *EI Du Pont De Nemours & Company v S.T. Dupont* [2003] EWCA Civ 1368; *BUD Trade Mark* [2002] EWCA Civ 1534; *Fine & Country Ltd v Okotoks Ltd* [2013] EWCA Civ 672; *Re: B (a child)* [2013] UKSC 33; and *Henderson v. Foxworth Investments* [2014] UKSC 41), he summarised the position at paragraph 52 (I made a few minor updates on this summary in *Grill’O Express* (O/140/17), paragraph 6, which I have incorporated in square brackets):

52. Drawing these threads together, so far as relevant for the present case, the principles can therefore be summarized as follows.

- (i) Appeals to the Appointed Person are limited to a review of the decision of Registrar (CPR [52.21]). The Appointed Person will overturn a decision of the Registrar if, but only if, it is wrong ([...][CPR 52.21]).
- (ii) The approach required depends on the nature of decision in question (*REEF*). There is spectrum of appropriate respect for the Registrar’s determination depending on the nature of the decision. At one end of the spectrum are decisions of primary fact reached after an evaluation of oral evidence where credibility is in issue and purely discretionary decisions. Further along the spectrum are multi-factorial decisions often dependent on inferences and an analysis of documentary material (*REEF, DuPont*).
- (iii) In the case of conclusions on primary facts it is only in a rare case, such as where that conclusion was one for which there was no evidence in support, which was based on a misunderstanding of the evidence, or which no reasonable judge could have reached, that the Appointed Person should interfere with it (*Re: B and others*).
- (iv) In the case of a multifactorial assessment or evaluation, the Appointed Person should show a real reluctance, but not the very highest degree of reluctance, to interfere in the absence of a distinct and material error of principle. Special caution is required before overturning such decisions. In particular, where an Appointed Person has doubts as to whether the Registrar was right, he or she should consider with particular care whether the decision really was wrong or whether it is just not one which the appellate court would have made in a situation where reasonable people may differ as to the outcome of such a multifactorial evaluation (*REEF, BUD, Fine & Country and others*).
- (v) Situations where the Registrar’s decision will be treated as wrong encompass those in which a decision is (a) unsupportable, (b) simply wrong (c) where the view expressed by the Registrar is one about which the Appointed Person is doubtful but, on balance, concludes was wrong. It is not necessary for the degree of error to be “clearly” or “plainly” wrong to warrant appellate interference but mere doubt about the decision will not suffice. However, in the case of a doubtful decision, if and only if, after anxious consideration, the Appointed Person adheres to his or her view that the Registrar’s decision was wrong, should the appeal be allowed (*Re: B*).
- (vi) The Appointed Person should not treat a decision as containing an error of principle simply because of a belief that the decision could have been better expressed. Appellate courts should not rush to find misdirections warranting reversal simply because they might have reached a different conclusion on the facts or expressed themselves differently. Moreover, in evaluating the evidence the Appointed Person is entitled to assume, absent good reason to the contrary, that the Registrar has taken all of the evidence into account. (*REEF, Henderson and others*).

Bearing in mind the repeated reminders that different points are likely to be particularly relevant in other cases, this is not intended to be a summary of universal application for other cases where particular aspects of the approach may require different emphasis

6. I will apply these principles.

Grounds of appeal

7. The Appellant pursued three grounds of appeal. First, it was submitted that the Hearing Officer did not properly undertake an assessment of the marks for the purposes of the likelihood of confusion. Secondly, that the comparison of the goods and services undertaken by the Hearing Officer was wrong. Thirdly, that the award of off-scale costs made by the Hearing Officer was inappropriate in all the circumstances. Mr Newell, for the Appellant, accepted that the second ground of appeal would become relevant only if he succeeds on the first ground.

Ground 1: Likelihood of confusion

8. Mr Newell's submission on the first ground falls into two parts, but both are basically grounded on the case law originating with C-120/04 *Medion v Thomson Multimedia Sales* [2005] ECR I-8551 and C-591/12P *Bimbo SA v OHIM* ECLI:EU:C:2014:305 which deals with composite marks where one element of the later mark has independent distinctive character.
9. Unfortunately, parties too often see *Medion* as authority for the proposition that if a composite mark includes an earlier trade mark then the comparison should be between just the common element. In simple terms if the earlier mark (X) is included in the composite mark X+Y then the comparison can be between two identical (or very similar) X's and Y can be ignored. Put another way, if the later mark contains the earlier mark there is no need to find a likelihood of confusion. This is not what *Medion* held.
10. In *Medion* the Court of Justice was being asked whether the German 'Prägetheorie' was appropriate in relation to the assessment of such composite marks. In essence, this theory meant that only where the common component (X) was dominant in the composite mark (X+Y) could there be a likelihood of confusion. Conversely, if the common element was not dominant there could not be a likelihood of confusion. The Court of Justice rejected this theory. Paragraphs 30 and 31 are particularly relevant:

However, beyond the usual case where the average consumer perceives a mark as a whole, and notwithstanding that the overall impression may be dominated by one or more components of a composite mark, it is quite possible that in a particular case an earlier mark used by a third party in a composite sign including the name of the company of the third party still has an independent distinctive role in the composite sign, without necessarily constituting the dominant element.

In such a case the overall impression produced by the composite sign may lead the public to believe that the goods or services at issue derive, at the very least, from companies which are linked economically, in which case the likelihood of confusion must be held to be established.

11. Accordingly, the Court of Justice was rejecting the 'Prägetheorie' and accepting that confusion *could* result where the common element played an independent distinctive role (even though it was not dominant). It was not saying that if the common element (X) plays an independent distinctive role then the common elements can simply be compared, putting aside the need for a global comparison of the whole mark. The approach is much more nuanced, as the Court of Justice explained in *Bimbo* at paragraph 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

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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...

And it continued at paragraph 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.

12. In short, even after a finding that the earlier mark is a common element in a composite mark, and that it has an independent distinctive character, it is still necessary to consider whether consumers would think that there was a common origin leading to a likelihood of confusion (see *Whyte and MacKay Ltd v Origin Wine UK Ltd* [2015] EWHC 1271 (Ch) at paragraph 21 per Arnold J). Expressing what *Medion* means in a negative fashion may make clearer what it is really about: if the common element is not very distinctive then it will not play an independent distinctive role in the composite mark and so the average consumer will give it less attention, meaning that the other elements of the composite of the mark will make it unlikely that there would be any likelihood of confusion.

13. Essentially, *Medion* is a very structured way of addressing whether the use of the composite mark would cause “indirect confusion” in the mind of the average consumer, as explained by Iain Purvis QC in *LA Sugar* (O/375/10) paragraph 16:

...Indirect confusion...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”.

14. I accordingly agree with the assessment of Professors Annette Kur and Martin Senftleben, *European Trade Mark Law: A Commentary* (OUP 2017) at [4.342]:

...The implications of *Medion* should therefore not be overestimated: rather than establishing a stable precedence, it demonstrates the unwillingness of the CJEU to accept any pre-established theories or precepts that might limit the freedom of case-by-case analysis.

15. In short, *Medion* does not create a shortcut to concluding there is a likelihood of confusion where there is a common element (the house mark X) in a composite mark X + Y; rather, it rejects a shortcut going the other way (Prägetheorie). The test, as is clear from *Bimbo*, requires a global assessment of all the factors to assess whether there is a likelihood of confusion (see *Whyte and MacKay Ltd* at paragraph 21).

Medion: does it apply both ways?

16. Before the Hearing Officer, the Applicant argued that the *Medion* line of authorities has no role to play where the earlier mark is a composite mark (see extract of paragraph 19 of the Skeleton Argument at Decision, paragraph 30). In other words, using the same example as before, where the earlier mark is X + Y and the later mark X then *Medion* does not apply.
17. At paragraph 32 of his decision, the Hearing Officer rejected a contention of the Applicant (although it is not clear it was this contention). He then stated that “the question of similarity must be approached globally taking the whole mark into consideration”.
18. On appeal, Mr Newall took issue with the Applicant’s argument that *Medion* cannot apply to composite marks. His submission was a simple one. If X was the earlier mark and, by reason of *Medion*, the later mark X + Y is confusingly similar, then it must also be confusingly similar if X + Y was the earlier mark and X the later mark.
19. If *Medion* is taken to be a shortcut to a finding of likelihood of confusion then this submission might be highly relevant. However, as I have indicated, *Medion* is not such a shortcut, rather it is authority for rejecting an earlier shortcut created by the German courts and explaining a particular circumstance.
20. Therefore, as I have explained, what the Hearing Officer was required to do was undertake a global comparison taking into account all relevant factors. This is what he did and so I reject Mr Newall’s arguments on this ground.

Other criticisms related to the comparison of the signs

21. Mr Newall also criticised the Hearing Officer’s assessment that BEFIT has “a very low level of distinctiveness being barely registerable” (paragraph 32). He submitted BEFIT had a higher level of inherent distinctiveness. The Appellant’s mark was LIONSGATE BEFIT, but Mr Newall’s submission was that BEFIT had enough distinctiveness to play an independent distinctive character (and so engage his *Medion* argument). While I have already indicated that the approach to *Median* as a shortcut is inappropriate, the distinctiveness of the mark BEFIT is relevant to the global assessment.
22. The argument put forward by Mr Newall was somewhat confusing in this regard. It is based on Tahndi Campbell’s Witness Statement dated 22 April 2016 and Exhibit UK1. This evidence, according to Mr Newall, establishes that the Appellant has used the BEFIT mark simpliciter in a fitness video, which has had approximately 8.7 million views (not unique views) in the United Kingdom.
23. As the Hearing Officer noted at paragraph 9, there are some problems with this evidence as there is nothing indicating how prominent the BEFIT mark is on the screen and how it is used. This comment, I assume, was largely made in relation to the section 5(3) or 5(4)(a) grounds, which are not pursued on appeal.

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24. Mr Newall submitted that the evidence was being relied upon to establish the inherent distinctiveness of BEFIT. He was not therefore relying on it to prove distinctiveness through use or (on appeal at least) goodwill or enhanced distinctiveness. His point was essentially that because BEFIT had been used by the Appellant on the YouTube channel, and that the Youtube channel had been accessed and seen by a large number of people, BEFIT must have at least average inherent distinctiveness. This is tantamount to saying that if a person uses a sign as a trade mark it must always have been distinctive if that person attracts a sufficient number of customers.
25. This cannot be right and it ignores the way distinctiveness works. The use of any sign may lead consumers to be educated that the sign is being used as a trade mark. This is the whole basis of a finding of acquired distinctiveness. Further, a mark with a low level of inherent distinctiveness can become more distinctive with use. This may lead it to develop enhanced distinctiveness or even a sufficient reputation to obtain protection against the various forms of dilution.
26. Accordingly, even if contrary to the points made by the Hearing Officer, the evidence showed that BEFIT was being used as a trade mark by the Appellant on the YouTube channel, it may be that many of the 8.7million people were accessing that channel after having been educated as to the trade mark significance of BEFIT (and not relying on any inherent quality of the mark).
27. The bigger problem for the Appellant is that Mr Newall's argument ignores causation. How did the viewer get to the YouTube channel in the first place? Was the search term BEFIT used or "Jullian Michaels" or "30 day shred" or "30 day fat burn" (see Decision, paragraph 9)? If the search term was BEFIT, how did the consumer know to search this sign? Was it being used as part of a longer phrase, "I want to be fit" or "how to be fit"? And more critically, as the Hearing Officer stated, the evidence does not support how the trade mark was being used on the channel or what it told consumers about the trade mark.
28. Therefore, the evidence put forward by the Appellant does not, on its own, support the point he is making as to inherent distinctiveness. This means the Hearing Officer's assessment of the inherent distinctiveness of the element BEFIT in LIONSGATE BEFIT could properly be based on his own value judgment alone. Even if I disagreed with the Hearing Officer, which I do not, it would be improper for me to substitute his view for my own value judgment as to the distinctiveness of this element. I therefore reject Mr Newall's second point.
29. Accordingly, the Hearing Officer's assessment of the likelihood of confusion as between the signs is upheld.

Ground 2: Comparison of goods and services

30. As I have already indicated, the second ground of appeal falls away. The Hearing Officer found that when comparing the marks in relation to identical goods and services

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there was no likelihood of confusion. Therefore, as Mr Newall accepted, unless he was successful on his first ground his case cannot be improved on the second ground if I upgraded not similar goods to be similar; or similar goods to be identical. I therefore do not need to consider this second ground further.

Ground 3: Costs

31. In his Supplementary Decision (O/170/18), the Hearing Officer awarded the Applicant costs totalling £18,000 (so called off-scale costs). The basis of the award was the Appellant's "unreasonable behaviour" and a "flagrant breach of direction" (Supplementary Decision, paragraph 4).
32. Turning first to the direction. The Hearing Officer issued a direction on 25 December 2017 (Christmas Day) requiring the Appellant (then Opponent) to provide a table setting out each of the goods and services it was contesting and explaining why it regarded each as identical, or similar to one of its own goods or services.
33. The Appellant did not comply with this direction and neither did the Appellant attend the Hearing on 5 January 2018 nor put in any written submissions for the assessment of costs.
34. If the Appellant had not complied with a direction of a Hearing Officer wilfully, particularly a direction which aims to reduce the costs on the other party, it could well be grounds to award "off-scale" costs.
35. However, it appears the Christmas Day letter was incorrectly addressed and sent to the Respondent and not sent to the Appellant. This meant the registry never sent the direction to the Appellant or its representatives. This has now been accepted by the registry (in a letter to the Appellant's attorneys dated 29 March 2018). Clearly, a party cannot be penalised for a direction, which by reason of a mistake of the registry, was never received by that party and about which it had no way of knowing.
36. Accordingly, as the original award of off-scale costs was predicated in part, if not substantially, on the failure to comply with this direction, it must be set aside.
37. The issue therefore remains whether the remainder of the Appellant's conduct was "unreasonable" so as to warrant off-scale costs. The Respondent's written submissions on costs raised other points: (a) the Appellant putting forward hopeless grounds, in particular those under s 5(3) and s 56; (b) the reliance on the very long specification where bold assertions were made without explanation of the identity of similarity of particular goods or services; (c) filing substantial exhibit evidence with bold, unsupported statements as to its relevance; and (d) statements that this evidence supported goodwill.

Hopeless grounds

38. It is important, particularly for a professionally represented party, to put forward only grounds which that party believes are arguable before the tribunal (this is acknowledged

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in the ethics codes of all the relevant professions). The Appellant dropped one ground before the Hearing (s 56) which clearly should never have been raised. Further, the argument under s 5(3) was incredibly weak and it might have been prudent to have withdrawn it as well.

No explanation of how goods/services are identical or similar

39. While the Appellant did not receive the direction in the Christmas Day letter, a professionally represented client should, as a matter of good practice, have done what was directed in any event. The Hearing Officer also referred to T-316/07 *Commercy v OHIM* [2009] ECR II-43 at paragraph 43 which indicates that even when the marks are identical, evidence is needed of similarity between the goods or services. Nevertheless, there are many cases are before the registrar where a party does not expressly address similarity of goods or services.

Substantial irrelevant evidence filed (including relating to goodwill)

40. While the evidence filed by the Appellant was not particularly helpful, contrary to the Respondent's assertion, it was not substantial in volume. Notwithstanding Mr Newall was somewhat misguided in his belief in its relevance, his submissions were no worse than those put forward by some other professional representatives in similar hearings.

Was the conduct unreasonable?

41. In summary, there are several ways that the conduct of the Appellant's case could have been improved. However, based on the conduct alone, in my judgment, the appropriate course of action is to make a costs award at the top of the scale rather than off-scale. I therefore substitute the original order for costs made by the Hearing Officer for the following based on the scale in TPN 2/2016:

Preparing a Statement and considering the other sides statement:	£650
Considering and commenting on others sides evidence:	£2,000
Attending a hearing:	<u>£1,600</u>
	£4,250

42. The Respondent did not take part in these proceedings. The Appellant had some success in relation to the costs element of the appeal. However, the Appellant had had the opportunity of informing the Hearing Officer that the Christmas Day letter was never received before the original costs order was made. Had this been done it is very likely that off-scale costs would never have been awarded in the first place. In the circumstances, it is not appropriate to make any award of costs in the Appellant's favour relating to the costs award.

43. I therefore uphold the Hearing Officer's decision that the Opposition should fail in its entirety. I allow the appeal in relation to costs and substitute an award in favour of the

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Respondent of £4,250 which should be paid within fourteen days of the date of the order.

PHILLIP JOHNSON
THE APPOINTED PERSON
24 JUNE 2018