

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION
Nos. 2388173 & 2420902
BY J SAINSBURY PLC
TO REGISTER THE TRADE MARKS
ACTIVE KIDS**

Active Kids

&



**IN CLASSES 16, 28, 38 & 41
AND 35 & 36**

AND

**IN THE MATTER OF CONSOLIDATED OPPOSITIONS THERETO
UNDER Nos. 94686 & 94716 BY
ACTIVE:4LIFE LIMITED**

BACKGROUND

1) On 30 March 2005 (re 2388173) and 3 May 2006 (re 2420902), J Sainsbury plc (hereinafter the applicant), applied to register the following trade marks:

Number	Mark	Filing Date	Class	Specification
2388173	ACTIVE KIDS Active Kids Series of two marks.	30.03.05	35	Advertising and promotional services; direct mail advertising; market research and marketing services; business organisation, operational management and supervision of sales and promotional incentive schemes; information, advice and assistance relating to any such schemes.
			36	Credit, debit and charge card services; discount card services; issue and redemption of tokens and vouchers; information services relating to the aforesaid services.
2420902	 Series of two marks	03.05.06	16	Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material, photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.
			28	Toys, games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
			38	Telecommunications; television broadcasting; radio broadcasting; broadcasting services; communications via computer terminals; message sending; news agency.
			41	Education; entertainment; sporting and cultural activities; production of shows, production of radio and television programmes; providing sports facilities; publication of books, publication of texts; holiday camp services; amusement park services; arranging dances, discos, competitions and other sporting or cultural events; provision of live performances; sport camp services; organisation of exhibitions;

				rental of sports or games equipment; television entertainment; theatrical entertainment; digital imaging services; photography services; physical education services; library services; lending of sports equipment; provision of information in relation to all the aforesaid services.
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2) The applications were examined and accepted, and subsequently published for opposition purposes on 7 July 2006 (2388173) in Trade Marks Journal No.6640 and 21 July 2006 (2420902) in Trade Marks Journal No.6642

3) On 6 October 2006 (re 2388173) and 23 October 2006 (re 2420902) Active:4Life Limited (hereinafter the opponent) filed two notices of opposition, subsequently consolidated. The grounds of opposition are in summary:

- a) The opponent (and its predecessor in business) has, since 2004, used the trade mark ACTIVE KIDS and also the mark as shown below on its website www.activekids.biz and also in schools in the London area for sports classes for children. The opponent claims that the application offends against Section 5(4)(a).



4) On 10 January 2007 and 26 January 2007, the applicant filed counterstatements which denied the opponent’s claims. The applicant puts the opponent to strict proof of use. The applicant also claims that its own use since “the beginning of 2005” has resulted in huge goodwill.

5) Both parties filed evidence, and both seek an award of costs in their favour. The matter came to be heard on 12 October 2010. At the hearing, the opponent was represented by Ms Bowhill of Counsel instructed by Messrs Cleveland, the applicant was represented by Mr Edenborough of Queens Counsel instructed by Messrs Grant Spencer LLP.

OPPONENT’S EVIDENCE

6) This consists of a witness statement, dated 29 May 2007, by Greg Dryer the Managing Director of the opponent company, a position he has held since September 2006, prior to which he traded, from January 2004, as an individual under the same trade mark ACTIVE KIDS. The mark and its goodwill in relation to “provision of educational and sports services to children” was assigned to the limited company in September 2006. He states that the mark was used in relation to “Class 41: Provision of educational and sports services to children including sport camp services and physical education services and information in relation to the aforesaid”. He states that sales and promotion figures for these services were as follows:

Year	Sales £	Promotion £
2004-05	25,599	1,250
2005-06	72,453	740

7) Mr Dryer states that he advertised in *Families North*, *Haringey Families*, *Time Out* and *Primary Times*. He states that the mark has been used for the Class 41 services in London, and as a result of this use his company has goodwill and reputation under the mark ACTIVE KIDS. He provides a large number of exhibits which he does not comment upon but which I will summarise below:

- Exhibits AK3-14: these comprise registration forms and information about the scheme and the company offering physical activity classes for children. The mark used is “Active:Kids”. They are dated January 2004-August 2004. All seem to take place at Muswell Hill.
- Exhibits AK15-21: these comprise lists of names of children taking part in activity sessions in 2005. These use the device mark.
- Exhibits AK22-29: these comprise daily activity lists such as cricket, gym etc for 2006, and include lists of children who participated. These all use the device mark.
- Exhibits AK30a-32: lists of children who participated in sessions during 2004-2006.
- Exhibits AK33-36: these comprise payments and bookings of venues for 2004-2005. The device mark or Mr Dryer’s name is used.
- Exhibits AK37-46: these comprise letters to solicitors, insurance quotes, child protection and risk assessment statements, dated 2004-2005. These use the device mark and/or “Mr Dryer”, “Greg Dyer Active” and “Active”.
- Exhibits AK47-57: these consist of invoices relating to the provision of T-shirts and medals to the opponent during 2004-2006. Some of the T-shirts state that they have the words ACTIVE KIDS printed upon them. The invoices are mostly addressed to “Greg Dryer- Active Kids”.
- Exhibits AK58-68 various items of correspondence including e-mails regarding the provision of physical activities for children, includes comments from parents regarding their child’s participation. Dated March 2004-September 2005. Marks used “Active: kids”, “Active” and the device mark.
- Exhibits AK69-71: Certificates stating that a child has made good progress in gymnastics or football. They are undated and have the device mark upon them.
- Exhibits AK72-85: A variety of letters informing parents of different activities offered by the opponent. These are dated October 2004-March 2006. They virtually all use the device mark.

- Exhibits AK86-103: These are confidential as they contain the names of children from three schools who participated in physical activity sessions during 2005. All have the device mark upon them.
- Exhibits 104-117: These are advertisements for activity sessions placed in the magazines “Families North” (September 2004-August 2006), “Everyone’s a Winner” (January 2005), “Haringey Families” newsletter (October 2004) and “Out and About” (May 2006). The marks used are “Active Kids”, “Active:Kids” and the device mark. Although an advertisement from “Time Out” was provided it does not mention the opponent at all. Also two copies of the front cover of “Primary Times” were supplied with what appeared to be an advertisement from the opponent pinned to the front. I do not believe that the magazine was sold in this manner.
- Exhibits 118 & 119: These consist of two witness statements by parents of children who have attended the activity sessions organised by the opponent. Both state their children began attending in 2004 and state that they are aware that the opponent has no connection to the voucher scheme operated by Sainsburys.

APPLICANT’S EVIDENCE

8) The applicant filed a witness statement, dated 14 August 2008, by Tania Smith the applicant’s in-house Trade Mark Attorney a position she has held since November 2000. She states that the applicant began using the marks in suit at the beginning of 2005 and they have been used on an extensive scale since. She states that the ACTIVE KIDS scheme, broadly, involves shoppers receiving a voucher each time they spend £10, these are given to schools who then exchange the vouchers for, *inter alia*, sports equipment. She states that although launched in January 2005 the initiative was being prepared much earlier. She continues that the cumulative value of equipment etc provided to schools has increased from £17 million in 2005 to £52 million in 2007, approximately £17million per annum. Ms Smith states that the applicant has spent approximately £3million per annum on promotion. The applicant has advertised in national newspapers and also on television. Examples of such advertising are provided at exhibit TS2, the earliest of which is dated March 2005. In addition, resource materials are provided to schools to develop lessons around the themes of activity, healthy exercise and healthy eating. At exhibit TS5 she provides examples of these indoctrination packs. She states that due to the size of the applicant it very quickly achieved nationwide recognition of its scheme.

9) Ms Smith claims that the scheme has resulted in an increase in participation of children in school activities including PE. This claim is based upon a research of 500 persons. The results are provided at exhibit TS8. The applicant has issued numerous press releases related to the scheme and has won awards. The scheme has also featured upon Government websites. She provides further evidence of internet activity. Most of the evidence provided appears to be intended to prove that the scheme has been socially beneficial. I fully accept the contention, although it is not relevant.

OPPONENT’S EVIDENCE IN REPLY

10) The opponent provided a second witness statement by Mr Dryer, dated 13 January 2010. In this statement Mr Dryer, for the most part simply fleshes out his earlier statement. For instance he provides greater detail of the actual activities and durations for the classes/workshops he offered. He also provides details of the number of staff per workshop and their qualifications neither of which is relevant to my decision. He does state that the mark shown at exhibit AK1 of his earlier statement was used until near to the end of 2004, with the new stylised version at exhibit AK2 from his earlier statement being used from late 2004. These are reproduced below.

Exhibit AK1	 The logo for 'Active:Kids' in a bold, sans-serif font. The word 'Active' is in a lighter weight and 'Kids' is in a bolder weight, separated by a colon.
Exhibit AK2	 The logo for 'active:kids' in a bold, sans-serif font. The word 'active' is in a lighter weight and 'kids' is in a bolder weight, separated by a colon. The letters 'i' and 'd' in 'kids' have a small dot above them.

11) Mr Dryer provides further information regarding the promotion of his mark. He states that the publication “Families North” is a free publication distributed in all North London postcodes every two months. The publication “Haringey Families” (formerly Haringey Mothers) is posted to all of the approximately 800 members.

APPLICANT’S ADDITIONAL EVIDENCE

12) The applicant filed a further witness statement by Tania Smith, dated 28 June 2010. She reiterates that the applicant first used its mark in February 2005. Much of her statement seems aimed at showing how well known the applicant’s scheme became very early on in 2005. She also contrasts the use by the opponent of their mark and the use of the applicant of the mark in suit. This does not assist my decision.

13) That concludes my summary of the evidence filed, insofar as I consider it necessary.

DECISION

Preliminary points

14) Mr Edenborough requested, and was granted, a three week delay in the issuing of this decision in order to attempt to resolve the dispute as to whether an agreement had been reached between the parties. I also agreed that if the applicant decided to take the issue to the High Court for a definitive decision then I would suspend my decision until the Court issued its verdict.

15) At the hearing the opponent withdrew its opposition to application 2388173 and restricted its opposition to application 2420902 to just the following goods and services:

Class 28: Toys, games and playthings; gymnastic and sporting articles not included in other classes.

Class 41: Education; entertainment; sporting and cultural activities; providing sports facilities; publication of books, publication of texts; holiday camp services; arranging dances, discos, competitions and other sporting or cultural events; sport camp services; rental of sports or games equipment; physical education services; lending of sports equipment; provision of information in relation to all the aforesaid services.

16) The only ground of opposition is under Section 5(4)(a) of the Trade Marks Act 1994 which reads:

“5. (4) A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented -

- (a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, or

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an “earlier right” in relation to the trade mark.”

17) In deciding whether the mark in question offends against this section, I intend to adopt the guidance given by the Appointed Person, Mr Geoffrey Hobbs QC, in the *WILD CHILD* case [1998] RPC 455. In that decision Mr Hobbs stated that:

“The question raised by the grounds of opposition is whether normal and fair use of the designation WILD CHILD for the purposes of distinguishing the goods of interest to the applicant from those of other undertakings (see section 1(1) of the Act) was liable to be prevented at the date of the application for registration (see Article 4(4)(b) of the Directive and section 40 of the Act) by enforcement of rights which the opponent could then have asserted against the applicant in accordance with the law of passing off.

A helpful summary of the elements of an action for passing off can be found in Halsbury’s Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165. The guidance given with reference to the speeches in the House of Lords in *Reckitt & Colman Products Ltd v. Borden Inc.* [1990] R.P.C. 341 and *Erven Warnink BV v. J. Townend & Sons (Hull) Ltd* [1979] AC 731 is (with footnotes omitted) as follows:

“The necessary elements of the action for passing off have been restated by the House of Lords as being three in number:

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

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

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

The restatement of the elements of passing off in the form of this classical trinity has been preferred as providing greater assistance in analysis and decision than the formulation of the elements of the action previously expressed by the House. This latest statement, like the House's previous statement, should not, however, be treated as akin to a statutory definition or as if the words used by the House constitute an exhaustive, literal definition of passing off, and in particular should not be used to exclude from the ambit of the tort recognised forms of the action for passing off which were not under consideration on the facts before the House.'

Further guidance is given in paragraphs 184 to 188 of the same volume with regard to establishing the likelihood of deception or confusion. In paragraph 184 it is noted (with footnotes omitted) that:

'To establish a likelihood of deception or confusion in an action for passing off where there has been no direct misrepresentation generally requires the presence of two factual elements:

(1) that a name, mark or other distinctive feature used by the plaintiff has acquired a reputation among a relevant class of persons; and

(2) that members of that class will mistakenly infer from the defendant's use of a name, mark or other feature which is the same or sufficiently similar that the defendant's goods or business are from the same source or are connected.

While it is helpful to think of these two factual elements as successive hurdles which the plaintiff must surmount, consideration of these two aspects cannot be completely separated from each other, as whether deception or confusion is likely is ultimately a single question of fact.

In arriving at the conclusion of fact as to whether deception or confusion is likely, the court will have regard to:

(a) the nature and extent of the reputation relied upon;

(b) the closeness or otherwise of the respective fields of activity in which the plaintiff and the defendant carry on business;

(c) the similarity of the mark, name etc. used by the defendant to that of the plaintiff;

(d) the manner in which the defendant makes use of the name, mark etc. complained of and collateral factors; and

(e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.

In assessing whether confusion or deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action.”

18) I also note the comments of Pumfrey J in *South Cone Incorporated v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)*, in which he said:

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

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

19) I must also keep in mind the comments of Mr Justice Floyd in *Minimax GMBH & Co KG and Chubb Fire Limited* [2008] EWHC 1960 (Pat) in which he says of the above:

“Those observations are obviously intended as helpful guidelines as to the way in which a person relying on section 5(4)(a) can raise a case to be answered of passing off. I do not understand Pumfrey J to be laying down any absolute requirements as to the nature of evidence which needs to be filed in every case. The essential is that the evidence should show, at least prima facie, that the opponent's reputation extends to the goods comprised in the application in the applicant's specification of goods. It must also do so as of the relevant date, which is, at least in the first instance, the date of application.”

20) The date at which the matter must be judged is not entirely clear from Section 5(4)(a) of the Act. This provision is clearly intended to implement Article 4(4)(b) of Directive 89/104/EEC. It is now well settled that it is appropriate to look to the wording of the Directive in order to settle

matters of doubt arising from the wording of equivalent provisions of the Act. The relevant date may therefore be either the date of the application for the mark in suit (although not later), or the date at which the acts first complained of commenced – as per the comments in *Cadbury Schweppes Pty Limited v. The Pub Squash Co Pty Ltd* [1981] RPC 429. In their evidence the applicant claims to have first used their mark in the February 2005 and so this, in my view, should be the relevant date.

21) However, Mr Edenborough disagreed with this view. Instead he contended in his skeleton argument:

“There is, however, a second reason why in fact there is no conflict at all, even for those services in class 41 for which one might initially consider that one might exist. *Kerly* states (at §9-140 of the 14th edition):

“It is suggested that the issue [of passing-off under s 5(4)(a)] must be determined as at the date of the application for the mark in issue. The question is whether or not use of the mark applied for is liable to be prevented as at that date. If, however, the mark the subject of the application is already in use, then this may require consideration of the position at an earlier time too. The relevant date for proving reputation and goodwill in a claim for passing off is the date of commencement of the activities complained of.”

12. Therefore, when considering the issue of goodwill in relation to the Opponent’s indicium, the relevant time is early 2005, when Sainsbury started using its mark. At that time, it is clear that the Opponent has a very limited goodwill, both geographically and with respect to the range of services being provided. However, the question of whether or not there is a conflict ought to be determined as of the date of the two Applications, namely 30 Mar 05 for Application ‘173, and 3 May 06 for Application ‘902. By those dates, the use of the Sainsbury’s marks was enormous (running to literally, millions of pounds, with extensive penetration of the school population (1st WS of Smith §§5, 19, 2nd WS of Smith §§4-7). As result of this enormous use, there would be no operative misrepresentation by the use of the Applicant’s marks in relation to its proposed goods and services.

13. Passing-off, unlike trade mark infringement, requires there to be an operative misrepresentation at the point of sale that affects the purchasing decisions of the consuming public. By the time the two Applications were filed, no one would be deceived as to the true trade source of the relevant goods and services in question, namely that goods and services so marked originated from the Applicant. In essence, the Opponent’s goodwill had been swamped by those respective dates, and was no longer enforceable against the Applicant, because a potential consumer would correctly understand that any goods or services so marked came from the Applicant, rather than the Opponent. Therefore, there was no misrepresentation that those goods and services originated from the Opponent. The Opponent’s own evidence supports this contention. The WSs of Mr Pundick (of 7th May 2007) and My Hyman (of 12th June 2007) both say there is no confusion as to trade origin. Even though it is difficult to be precise about what these witnesses actually mean, it would appear that they are applying the lower test that is applicable to trade mark infringement

(namely the existence of the likelihood of confusion) rather than the correct, and stricter, test of there being an operative misrepresentation which is applicable to the common law tort of passing-off. Therefore, *a fortiori*, if there was no confusion, there can be no operative misrepresentation.”

22) At the hearing Mr Edenborough expanded on these views thus:

“MR. EDENBOROUGH: Sir, the relevant paragraphs from case T-114/07 are paragraphs 50 and 55. Might I just read them out: "First, there was goodwill or reputation attached to the services offered by LMN in the mind of the relevant public by association with their get-up. In an action for passing off, that reputation must be established at the date on which the defendant began to offer his goods or services", (*Pub Squash*). We are all home and dry on that. Paragraph 51: "However, according to Article 8(4) of Regulation No. 40/94 the relevant date is not that date, but the date on which the application for a Community trade mark was filed, since it requires that an applicant seeking a declaration of invalidity has acquired rights over its non-registered national mark before the date of filing, in this case 11 March 2000."

THE HEARING OFFICER: "Invalidity" I think may be the key word there, surely?

MR. EDENBOROUGH: No, sir. If you are trying to draw a difference between invalidity and opposition, then that cannot be right and the reason it cannot be right is because the basis for the invalidity is by cross-reference back to the opposition provisions, Article 8(4) in that case. Therefore, you must look at the date that is relevant for Article 8(4) and that is the date of application. That is what it says there. It says there, when you are looking at invalidity, it is cross-referenced back to Article 8(4). According to Article 8(4), the relevant date is not that date. It says so in words of one syllable.

This is different from the way in which the UK approaches matters. The UK has historically approached oppositions and, of course, invalidity actions based upon the relative grounds, when you are dealing with passing off, as everything has to be determined as of the date of the allegedly first tortious use. That is not what the General Court is saying in *Last Minute*. It is expressly saying something different.”

23) Later in the hearing he further elucidated upon his contention on the relevant date and the effect upon the instant opposition.

“The first point is that is the relevant date when you ascertain the protectable goodwill, but what is also then necessary is that is the relevant date when you assess the issue of misrepresentation because, of course, passing off has the three heads of goodwill, misrepresentation and damage. Normally, you assess those two things at that date. If you do that, then it is always going to be the case that the junior user can be stopped because at the very moment that the junior user first comes on line, if there is a protectable goodwill that the senior user has, there would always be a misrepresentation to people that a junior user was actually wrongly associated with a senior user. That must follow. There is an interesting point in the *Croom* case which, if I just take you to it, is quoted on page 3, paragraph 7, in my learned friend's skeleton. Under paragraph (c): "The senior user can challenge the junior user unless and until it is inequitable for him to do so." What that reflects is the fact that unlike trade marks, which basically have a far more static existence, passing off, because it is predicated upon the existence of goodwill, is a far more organic type right. It ebbs and flows according to the strength of the goodwill.

The reason why that is important is as follows. Let me deal with the issue of swamping first. The cases to which you have been referred to and, in particular, the *Wadlow* passage, in essence say that a small user can stop somebody who is going to be a massive user and the damage would be swamping. Yes? Let me read from the relevant passages of 4-45 from *Wadlow*.

The first part is: "The situation can be demonstrated in an extreme form by reference to an American case where the defendants launched a massive national advertising campaign for a new brand of tyres under the name *Bigfoot*, which was already in use by the plaintiffs on a smaller but not insubstantial scale. The Court accepted that the continuing use of the name by the plaintiffs for their own business implied that they would wrongly be branded as pirates cashing in on Goodyear's campaign. A mark which had previously been a modest asset had been turned into a major liability." I am now going to jump down to another paragraph and cut back. "A less extreme situation is represented by *Provident Financial v. Halifax Building Society*. The plaintiffs had a well established motor insurance business under the name *Halifax Insurance* which had co-existed with the various non-competitive businesses of the defendant. They obtained an interlocutory injunction against the defendants expanding into the field of motor insurance under the proposed name *Halifax Motor Extra*. One of the four reasons given by Aldous J. for concluding that damages would not be an adequate remedy for the plaintiffs was that 'the defendant is so large that I anticipate that its reputation will tend to swamp that of the plaintiff. Any goodwill the plaintiff has at the moment will be subsumed into the defendant's goodwill.' Indeed, on the balance of convenience, this appeared to be the single most important factor."

What is clear from both of those cases is that action was taken to stop the swamping at the very outset. So, really there was a risk of swamping and the courts acted so as to prevent that risk, and that is important. In essence, what you are doing is you are saying, "I have a small protectable goodwill and the damage that I am going to suffer is I am going to be swamped", and a Court of Equity will step in and say, 'What happens then is that your small asset could turn into a liability. That is a wrong that cannot be compensated for by damages and therefore we will grant an interim injunction.' Of course, once the interim injunction is up and running, the risk of swamping goes and probably the case is settled thereafter, but that is irrelevant.

Cutting back to the middle paragraph of *Wadlow*: "No, English decision appears to have gone so far but one can imagine this head of damage occurring on the facts of *Chelsea Man* even if the decision did not address it specifically." So, that is interesting. What one has here, in essence, are cases that are either less extreme or American, and so foreign, and no case has clearly addressed the matter head on.

We come to the point here that, as I have said, goodwill is an organic thing. It ebbs and flows with the strength of the business that is generating it and the essences of passing off, the tort of passing off, is that there is a misrepresentation, and it is fundamentally important to understand that is not, repeat not, the same as the existence of a likelihood of confusion, which is the trade mark test, the point being is the confusion can be either way. So, it could be that the alleged infringer is being confused with the rights holder or it could be that the rights holder is being confused with the alleged infringer because the existence of the likelihood of confusion is confusion one with the other, with no particular head on the arrow to show which way the confusion is being directed.

That is fundamentally different from the tort of passing off. As you well know, sir, the tort of passing off has its historical roots in the tort of deception and the point about that is that

it is a falsehood, and the falsehood has to be that the alleged infringer is falsely associating itself with the other side, with the alleged rights holder, the owner of the goodwill. The core, the essential touchstone is deception as to trade origin, not confusion.

What happens with swamping is that historically you have a small local user, for example, and that small local user, the moment the alleged infringer comes on the market, somebody who sees the alleged infringer because of the historical existence of the senior user, would falsely think that the alleged infringer is associating themselves with the small local user, hence actionable tort. In particular, if the new junior user is going to be massive, then the wrong that is going to be done is the senior user's goodwill will be swamped. What that actually means is that the senior user's goodwill will be extinguished. It will no longer be actionable and the reason it will no longer be actionable is as follows.

If we go down the line from that very first moment when the wrongdoer first appears on the market to a little later down when actually the swamping has occurred, what happens then is, once the swamping has occurred, the junior user, when they use their sign, a member of the public rightly perceives that the junior user's sign is referring to the junior user.

In this case, to bring it back to a concrete example, nowadays if you say Active Kids to anybody, they say "Sainsbury's". They do not say "Mr. Dryer." Therefore, there is no deception. No deception by the junior user. What actually happens is that the senior user's goodwill has evaporated. It has been swamped. It has been extinguished. It is no longer actionable because in his hands the use of the sign Active Kids by Sainsbury's is not a misrepresentation. It is not a falsity because in the hands of Sainsbury's, Active Kids means Sainsbury's, whatever they are: goods and services. That is true basically and so therefore not actionable.

That is the risk of swamping and that is why, if you are a small user and you are being threatened by a very big user, you have to get in there right at the beginning and get an interim injunction or a quia timet action or something like that, otherwise your right goes. It is no longer actionable.

Then coming back to the quote that I just gave you from *Croom's Trade Mark*, the senior user, Mr. Dryer, can challenge the junior user, Sainsbury's, unless and until it is inequitable for him to do so. The point is, equity will not step in to stop something being done by the junior user that is not a misrepresentation. Sainsbury's use of Active Kids, once it has swamped Mr. Dryer, is a true statement. It truly refers to Sainsbury's goods and services, therefore it is no longer actionable in the hands of the senior user. What has actually happened is the arrow of deception has turned around and now actually it is Mr. Dryer who is misrepresenting himself as being wrongly associated with Sainsbury's. That is what happens when you have swamping.

Goodwill is an organic creature. It ebbs and flows and actually, because of the way in which the marketplace works, the arrow of deception can turn completely volte-face and things can be completely opposite. That is why, if you are a senior user, but a small senior user and you are threatened by a potentially large junior user, you must step in at the beginning. If you fail to do that, your rights are extinguished.

Then, if you take the date of May 2006, which is the date of the 902 application, we say at that date it is absolutely clear that the sign Active Kids points accurately and truly to Sainsbury's goods and services and therefore at that date the senior user, Mr. Dryer, could not prevent the use by Sainsbury's. He could have done earlier, but he can no longer. That is why this case basically hinges on a point of law. It is as simple as that because I think the facts are pretty clear.

There is only one other little wrinkle and that is the contention that a small senior user that has generated its goodwill by using a small locality, thereby gains a goodwill that can be enforced nationally.

Currently, the case law is against me on that, I accept that. It is *Chelsea Man* and there is the Isle of Wight case.”

24) Mr Edenborough also added:

“Then, we come to the case, as mentioned earlier, *Last Minute* T114/07 joined with T115/07, and this is the thing that really throws a spanner in the works. Historically in this jurisdiction, one has always looked at the earliest possible date and considered both the issue of the existence of the goodwill and the issue of misrepresentation at the same time. Whereas, in my submission, what the General Court is saying in the *Last Minute* case is that the early date is relevant vis-à-vis the issue of goodwill, but the later date, namely the application date, and so with respect to 902 is 3rd May 2006, is relevant to the issue of the prohibition, in essence, and the prohibition can only be predicated upon the misrepresentation.

As a result of the swamping issue, it is a rather unusual set of facts because it is absolutely indisputable here that, if you suddenly have £20 million odd worth of use by that time, it is probably going to swamp £20,000 odd use. It is extreme facts which make it an easily discernible legal point, if you see what I mean. It is not like two parties both have £100,000 worth of use, which would involve all sorts of other difficult questions of discernment of which way the arrow is then pointing.

What I then say is that *Last Minute* supports my proposition and that is why it is a point of pure law. Also, it is a point that has clearly got a Euro genesis behind it and it does not tally with the way in which the UK jurisprudence has been going for the last n decades.

Sir, that sets out my stall on the first point, which is namely if there is a protectable goodwill, it must be considered to be small for the various reasons. I am reserving my position on the *Chelsea Man* point, the *Mr. Chippy* point because there is no point arguing that in front of you, with all due respect.

The third point, sir, is the dates. You see my arguments with respect to swamping. How that makes that date a material point and how I, in my submission, have explained the historical cases on swamping because, in essence, they are quia timet actions. I am not saying they are wrongly decided. In fact, I am saying they are rightly decided. The threat would have been uncompensateable by money. That is why the interim injunction was granted. If no injunction had been granted, it would have been swamped and there would have been an extinguishment of the historical senior right.”

25) For the opponent, Ms Bowhill referred me to Case O-212-06 (*SWORDERS*), paragraph 148 of which says:

"Strictly, the relevant date for assessing whether section 5(4)(a) applies is always the date of application for registration or, if there is a priority date, that date; see Article 44B of the Directive. However, where the applicant has used the mark before that date, it is necessary to consider what the position would have been at the date of the start of the behaviour complained about."

26) Mr Edenborough was, as ever, very eloquent and posed an interesting legal point. He also accepted that I must be bound by the judgments of higher authorities, such as those cases quoted by both Counsel. I also accept that in a case where the senior user acquiesces for years to the use by the junior user, then the simultaneous use would have to be taken into account. However, in the circumstances of the instant case it would, to my mind, be inequitable for the junior user to be able to swamp the senior user and so prevent a claim for passing off. Mr Edenborough states that, in the instant case, the junior user should have been quicker out of the blocks, perhaps seeking an injunction for infringement. However, where the junior user is a very large corporation, such as the instant applicant, they are able to achieve huge levels of goodwill almost within days of launching a new trade mark. To accept the applicant's contention would mean that the junior user is able to hide behind its newly acquired goodwill and trump or swamp any senior users' goodwill. Effectively they could purchase via a vast marketing budget an unfair advantage.

27) To my mind, the question is quite simple; did the opponent have a protectable goodwill at the date of the application. If the answer to this question is yes, then one has to consider when did the behaviour complained of commence; and did the opponent have a protectable goodwill at that date. In which case the first date to be considered would be the date of application 2420902 was filed (3 May 2006) and the second date would be the date that the applicant began to use its mark which was accepted at the hearing as February 2005.

28) In my evidence summary I have noted (see paragraph 10 above) that the opponent has used two images which are very similar in nature. Neither are registered trademarks. As goodwill resides in a business not in the marks it may use, it follows that all variant uses of the earlier mark contribute to the single goodwill that may reside in the opponent's business. However, I must determine whether both marks can be considered as use of the mark ACTIVE:KIDS. In considering this issue I look to the guidance set out on whether a mark used is in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered. In considering this question I look to the judgement of the Court of Appeal in *BUD / BUDWEISER BUDBRAU* [2003] RPC 24. In particular, I refer to the comments of Lord Walker at paragraphs 43-45 where he stated:

“43. The first part of the necessary inquiry is, what are the points of difference between the mark as used and the mark as registered? Once those differences have been identified, the second part of the inquiry is, do they alter the distinctive character of the mark as registered?”

29) I also take into account the comments of Ms Carboni acting as the Appointed Person in *Orient Express* (BL O/299/08) where she said:

“66. It is unnecessary for me to give any further details here of the various underlying decisions. Their full case references are set out in *NIRVANA* [BL O/262/06] and *REMUS* [BL O/061/08]. But I do set out below the guidance that Richard Arnold QC derived from his review, which he set out in *NIRVANA* and reiterated in *REMUS*, as follows:

33. The first question is what sign was presented as the trade mark on the goods and in the marketing materials during the relevant period....

34. The second question is whether the sign differs from the registered trade mark in elements which do not alter the latter's distinctive character. As can be seen from the discussion above, this second question breaks down in the sub-questions, (a) what is the distinctive character of the registered trade mark, (b) what are the differences between the mark used and the registered trade mark and (c) do the differences identified in (b) alter the distinctive character identified in (a)? An affirmative answer to the second question does not depend upon the average consumer not registering the differences at all....

67. There have been no decisions in the ECJ or CFI since *REMUS* that would give any reason to change this guidance. It seems to me that it is fully consistent with the approach laid down in *BUD*, effectively being a step-by-step version of the process that Lord Walker described in the extract that I have set out at paragraph 19 above. I would not expect a different result to come out of a comparison between a logo and a word mark depending on which guidance was being followed.”

30) I have to determine, in the light of the above authorities whether the use of images 1 and 2 below can be deemed use of a single mark. For ease of reference the two marks are reproduced below.

Image 1	
Image 2	

31) There are slight visual differences between the two marks. Image 1 has the letters “A” and “K” in capitals with the rest of the mark being in lower case, whereas image two is all in lower case. Further image two has a “plus sign” instead of a “dot” over the letter “i” in “active” and a partial circular sign or “smile” instead of a “dot” over the letter “i” in “kids”. However, these are very minor points which whilst readily apparent do not affect the overall impression of the mark as they do not have particular meaning. The average consumer rarely has the opportunity to compare mark side by side and must rely upon the imperfect picture that they have in their mind. The overall impression of the marks is such that unless seen side by side the average consumer would consider the marks to be identical.

32) Having determined that images 1 and 2 are both use of the mark ACTIVE:KIDS, use of both can be taken into account in determining goodwill. I shall now consider the evidence of use put forward by the opponent.

33) The evidence clearly shows that the opponent used the trade mark ACTIVE KIDS in relation to physical activity classes for children prior to the date of application 3 May 2006 and also prior to the first use of their mark by the applicant, February 2005. I accept that these classes all took place in North London, mostly in Muswell Hill, and that the turnover was, to put it mildly, modest at just under £25,000. Equally the promotional activity and budget were miniscule in comparison with the applicant. I also accept that at times the opponent used just the word “Active” and at times his own name. However, to my mind the opponent has provided sufficient evidence to prove that at both relevant dates it enjoyed a protectable goodwill in the mark “ACTIVE:KIDS” in relation to arranging physical activity classes for children.

34) Considering the marks of the two parties, it was accepted at the hearing that the marks were quite similar.

35) It is well established that it is not necessary for the parties to a passing-off action to be in the same area of trade or even a related area of trade. The point can be supported by reference to the following passage from Millet L.J.’s judgment in *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697:

“There is no requirement that the defendant should be carrying on a business which competes with that of the plaintiff or which would compete with any natural extension of the plaintiff’s business. The expression “common field of activity” was coined by Wynn-Parry J. in *McCulloch v May* [1948] 65 RPC 58 when he dismissed the plaintiff’s claim for want of this factor. This was contrary to numerous previous authorities (see, for example, *Eastman Photographic Materials Co. Ltd v John Griffiths Cycle Corporation Ltd* (1898) 15 RPC 105 (cameras and bicycles); *Walter v Ashton* (1902) 2 Ch. 282 (The Times Newspaper and bicycles) and is now discredited. In the *Advocaat* case Lord Diplock expressly recognised that an action for passing-off would lie although “the plaintiff and the defendant were not competing traders in the same line of business”. In the *Lego* case Falconer J. acted on evidence that the public had been deceived into thinking that the plaintiffs, who were manufacturers of plastic toy construction kits, had diversified into the manufacture of plastic irrigation equipment for the domestic garden. What the plaintiff in an action for passing-off must prove is not the existence of a common field of activity but likely confusion among the common customers of the parties.

The absence of a common field of activity, therefore is not fatal; but it is not irrelevant either. In deciding whether there is a likelihood of confusion, it is an important and highly relevant consideration.”

36) Also:

“It is not in my opinion sufficient to demonstrate that there must be a connection of some kind between the defendant and the plaintiff, if it is not a connection which would lead the public to suppose that the plaintiff has made himself responsible for the quality of the defendant’s goods or services.”

37) And:

“Passing off is a wrongful invasion of a right of property vested in the plaintiff, but the property which is protected in an action for passing off is not the plaintiff’s proprietary right in the name or get-up which the defendant has misappropriated but the goodwill and reputation of the business which is likely to be harmed by the defendant’s misrepresentations.”

38) The opposition was restricted at the hearing to the following goods and services:

Class 28: Toys, games and playthings; gymnastic and sporting articles not included in other classes.

Class 41: Education; entertainment; sporting and cultural activities; providing sports facilities; publication of books, publication of texts; holiday camp services; arranging dances, discos, competitions and other sporting or cultural events; sport camp services; rental of sports or games equipment; physical education services; lending of sports equipment; provision of information in relation to all the aforesaid services.

39) Taking into account all of the above I conclude that use and registration of the applicant’s trade mark in relation to these goods and services would result in misrepresentation of the opponent’s mark.

40) I must go on to consider if the opponent has suffered, or is likely to suffer, damage as a result of this misrepresentation. Lord Fraser in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1980] RPC 31 HL stated that the opponent must show that “he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill”.

41) In the current case, both parties’ marks effectively consist of the words “Active kids”. Registration of the applicant’s mark would be in respect of goods and services similar to those on which the opponent uses its marks. This being the case, people and traders familiar with the opponent’s physical education classes would expect the types of goods and services in paragraph 38 above under the same name to be from the same undertaking that had used that name in the past. I have already found that, as such, there is a real likelihood of deception amongst a substantial number of the relevant public. Taking all this into account and considering the close similarity between the marks, I conclude that the opponent’s goodwill will be damaged in that, the opponent may lose business to the applicant because of the existence of a mistaken belief that the applicant’s goods and services are in fact those of the opponent. It would therefore be deprived of its benefits. Further, if the goods and services are unsatisfactory in anyway, this will result in the public avoiding the opponent’s services in the mistaken belief that it was also responsible for the applicant’s goods and services. The ground of opposition under Section 5(4)(a) in respect of the goods and services outlined at paragraph 38 above succeeds.

COSTS

42) The opponent did not withdraw its opposition to application number 2388173 until part way through the hearing. At the same time the opponent also withdrew its opposition to a number of

the goods and services of application 2420902. Although the opponent won on the single ground against all of the goods and services that it eventually opposed the effect is that the result from the initial position is almost evenly split. I also note that the applicant did not contest the action against the reduced specification vigorously, presumably because it was aware of how tenuous its position was, hence its reliance upon the relevant date issue. In view of both parties actions I therefore decline to make an award of costs in this case.

Dated this 11 day of November 2010

**George W Salthouse
For the Registrar,
the Comptroller-General**