

O-486-16

TRADE MARKS ACT 1994

**IN THE MATTER OF TRADE MARK REGISTRATION 2608737
IN THE NAME OF PHEN375 LTD
OF THE FOLLOWING TRADE MARK IN CLASS 5:**

Phen375

AND

**AN APPLICATION FOR INVALIDITY (NO. 500938) BY SUNPYRAMIDHEALTH
S.A., RDK GLOBAL NUTRACEUTICALS S.A. & SHIPPITSA LIMITED**

Background and pleadings

1. This dispute concerns whether the following trade mark is validly registered:

Phen375

Class 5 – Dietary supplement for humans, nutritional supplement.

2. The mark was filed on 31 January 2012 by Phen375 Ltd (“the proprietor”), was published for opposition purposes on 2 March 2012, and was registered on 11 May 2012.

3. Sunpyramidhealth S.A., RDK Global Nutraceuticals S.A. and Shippitsa Limited (“the applicants”) jointly seek invalidation of the registration. Their grounds are founded on sections 5(4)(a) and 3(6) of Trade Marks Act 1994 (“the Act”). Claims are also made on the basis of sections 5(1) & 5(2)(a) of the Act, albeit relying on a mark that is claimed to be a well-known mark entitled to protection under section 56(1). I note the following from the statement of case:

- i) Sunpyramid Health S.A. (“Sunpyramid”) is the 100% shareholder and parent company of RDK Global Nutraceutical S.A (“RDK”). The former recently acquired all intellectual property of the latter. Shippitsa Limited (“Shippitsa”) is the EU distributor whose majority shareholder and director is also a director of Sunpyramid.
- ii) The applicants claim that they have been using the sign PHEN375 throughout the UK since 2009 in respect of a range of goods in class 5 (including pharmaceuticals for weight loss and dietary supplements) and services in class 44 (including the provision of weight loss programmes). They claim that a significant goodwill has been created. Given the identity of the names involved and the identity/high similarity of the goods/services, they consider that the use of the proprietor’s mark would undoubtedly constitute a misrepresentation that would cause damage to the applicants.

In view of this, they claim that the mark offends against section 5(4)(a) of the Act.

- iii) In terms of the well-known mark claim, little more is added. They do not say in which convention country the mark is used, but they do say that it has been used internationally.
- iv) In terms of section 3(6), bad faith, they say that it is inconceivable that the mark was independently adopted. It is claimed that the proprietor is aiming to benefit from an association with the applicant. It is claimed that the proprietor purchased products from the applicants' prior to filing its mark and has used images from the applicants' packaging. Filing the mark in such circumstances is said to be something which falls short of the standards of acceptable commercial behaviour.

4. The proprietor filed a counterstatement denying the claims. It specifically denies the existence of goodwill on the part of the applicants and denies that the applicants' mark is entitled to protection as a well-known mark. It also denies knowing of the applicants' use prior to making the application for registration. It puts the applicants to proof of the various claims they have made.

5. Both sides have been professionally represented throughout the proceedings, the applicants by Marks and Clerk LLP, the proprietor by Sandiford Tennant LLP. Both sides filed evidence. A hearing took place before me on 5 October 2016 at which the applicants were represented by Mr St Quintin, of counsel, instructed by Marks & Clerk, and the proprietor by Mr Harrison of Sandiford Tennant.

Preliminary issue – the pleadings point

6. As will be seen shortly, a feature of this case is that the proprietor claims to benefit from pre-filing use made by a particular company, the assets of which it subsequently obtained. Such prior use has the potential to defeat a claim in passing-off. Mr St Quintin submitted that this should not be considered because it did not form part of the defence set out by the proprietor in its counterstatement. He highlighted the relevant

part of the IPO's Manual of Trade mark Practice which stresses that "...the purpose of the counter-statement is to admit, deny with explanation or require proof of any of the grounds set out ..." (emphasis added) and that no part of the proprietor's explanation for its denial mentioned prior user. He went on to submit that the statements of both sides combine to set the scope of the dispute and what the respective parties needed to establish in evidence. Mr Harrison submitted that a blanket denial had been made and that whilst it may have been better to have denied the ground in more detail, general denials of this type are common in proceedings before the tribunal.

7. I agree that it would have been better for the pre-filing use to be have been mentioned in the counterstatement. However, given that i) Mr St Quintin confirmed that the applicants would not have been able to provide any different evidence directed to an earlier date, ii) I cannot see any prejudice, nor was any advised, and iii) the applicants responded to the proprietor's evidence by filing reply evidence, I am prepared to allow the claim to be considered.

8. Mr St Quintin also argued that the absence of a reference to pre-filing use in the counterstatement should have a negative impact on the proprietor's evidence, with his view being that it was false. I will return to this later when I asses the weight to be given to the proprietor's evidence.

The evidence

The applicants' primary evidence

9. This comes in the form of a witness statement from Mr John McKillip, a director of Sunpyramid. He explains that RDK (of which he was also a director) was acquired by Sunpyramid in May 2015. Shippitsa is a UK based distributor for the relevant products. It is also the registrant of the domain name www.phen375.com (see Exhibit 1). A director of Shippitsa, Raquel Retana (see Exhibit 2) is also an "owner" of Sunpyramid. He states, therefore, that the companies are closely related with common directors and business interests.

10. Information about the Phen375 product is given in Exhibit 3. To cut a long story short, it is a “dietary supplement for weight loss and appetite suppression”. The pages in the exhibit are taken from the website referred to above. They carry a copyright date of “2004-2016”. However, there are also archive prints provided which show a web presence since 2008. Specific prints from October 2010 are provided from the phen375.com website. The products are priced in dollars. The name on the packaging of the product depicted on the webpage is not, however, Phen375. Instead, Phentemine375 is used. However, as Mr St Quintin pointed out, Phen375 is used in the body of the web page, e.g.:

“Phen375 Uses Maximum Strength Synthesized Ingredients.”

11. Mr McKillip states that the applicants, respectively, have been manufacturing and supplying the product since 2007. This extended to the UK and EU in 2009. He highlights that the mark has been registered as a EUTM and as a US trade mark. Certificates for both are provided in Exhibit 4, but both were filed after the registration the subject of these proceedings. Reference is made on the US certificate to there being first use in 2007.

12. Mr McKillip states that Phen375 has always been carried prominently on the packaging of the product. Examples are shown in Exhibit 5. However, this statement is somewhat inconsistent with the packaging shown in the archive print referred to above which carried the name Phentemine375.

13. It is stated that the goods are available exclusively online, through the applicants’ website. The applicants do not engage in any form of traditional marketing to promote their products. This, apparently, is to prevent counterfeiting and to guarantee the trade origin of their products. Instead of traditional marketing, the applicants’ use what is known as affiliate marketing. Affiliates use various (mainly internet) marketing methods to drive potential customers to the applicants’ website. The customer enters a code on purchase (presumably to obtain a discount) which, therefore, enables purchases made via affiliates to be tracked. The affiliate receives a payment of 30% of the revenue from each sale. Since 2011, the affiliate programme has been managed by a company called Moreniche Limited (“Moreniche”).

14. Mr McKillip states that due to sales only being made via its website, and, also, because of the use of its affiliate programme, the applicants' website can be easily located when searching for it on search engines. On a "Whois" print for the domain name, an SEO [search engine optimization] score is listed as 90%. Mr McKillip states that this is a very high SEO score. In support, he also provides a search report (Exhibit 7) conducted for PHEN375 on google.co.uk, the first three pages of which relate to the applicants or their products. Exhibit 8 contains web analytics data showing that for the period January–April 2011, 5% (the exact figure is 4,96%) of traffic originated from the UK, while from September 2011–November 2011 and November 2011–January 2012 the figure was 6% (the exact figures were 5.88% and 6.04% respectively). To put the figures in context, these proportions are based on total "sessions", the totals of which were 141.7k, 169.4k and 200.9k respectively.

15. Exhibit 9 contains prints from searches undertaken on Facebook and YouTube which Mr McKillip states shows the notoriety of the applicants' product. However, given that, i) the dates on which the searches took place are not known, ii) there is no information to show when any of the particular posts were placed on the social media platform and, iii) where the posters are located is not clear, this evidence is not greatly pertinent. Exhibit 10 contains a series of customer testimonials presumably hosted on the applicants' website. Many are from overseas, but some are from UK customers (6 in total dated between 2010 and 2011).

16. Turnover figures are also provided. It is explained that due to a change in the accounting system used, sales prior to 2009 cannot be provided. Further, it is explained that the system cannot provide a specific figure for the UK, thus the figures are worldwide ones. As the proprietor's mark was filed at the end of January 2012, it is the figures prior to that which are most pertinent. These are 2009 (second half) \$120k, 2010 \$641k and 2011 \$3.3 million. A figure for 2012 is also provided (\$6.6million) a proportion of which, it is fair to assume, will have related to sales in January that year. Via a manual sort, it has been possible to provide a breakdown showing UK sales in January 2012. These equate to around \$42k representing 697 units.

17. Mr McKillip has also been able to obtain data from Moreniche (the affiliate programme management company) showing sales made through affiliates, including a breakdown of UK affiliate sales. For 2011 the total (affiliate) sales were \$2.35 million with UK (affiliate) sales representing 19.87% of that (around \$468k). The figure paid to affiliates (30% of revenue) is listed in a separate table as the applicants' marketing expenditure, which breaks down at around \$140k in the UK.

18. Exhibit 13 shows Companies House information about the proprietor. Mr McKillip highlights that Mr David Hodges was listed as a director and shareholder upon incorporation on 30 January 2012. Evidence is then provided in Exhibit 14 showing that a person called D Hodges, of the same address as that used by David Hodges in the Companies House information, purchased Phen375 from the applicants (RDK at that time). The invoice is dated "11/2/2011". If this was a UK date then this would be February 2011, however, as it was issued by a US company, I am prepared to accept that this was from November 2011. The goods were invoiced in dollars and shipped to D Hodges from the US. Mr McKillip states that this shows that the proprietor knew that the applicants were using the Phen375 name, that they ship to UK customers, and that the proprietor (or more accurately D Hodges, because the proprietor did not exist at that time) had purchased the product. He goes on to say that the registration of the company name and the filing of its trade mark shows that the proprietor was aiming to free-ride on the applicants' reputation.

19. Exhibit 15 contains Whois details of the domain name www.phen-375.co.uk which was registered in April 2014 by Mr Pete Hardy, another director of the proprietor (Exhibit 13). The exhibit contain documents in the form of a blog posted by "phenadmin" in 2014 which contains pictures of packaging which show the name Phen375 prominently on labels in a form of use which Mr McKillip states is highly similar to the way in which the applicants' use its mark. Mr Harrison accepted at the hearing that this was actually the applicants' goods, although he said it was included by an advertising agency in error. There is also use on these documents of the name PhenOriginal375. Mr McKillip accepts that this is the main form of use (by the proprietor), but he highlights that, in use, Phen and 375 is highlighted and that there are still frequent mentions of Phen375 in the accompanying text. The use of wording such as "original", "the genuine article" and "UK official distributor and manufacturer"

in one of the documents is, Mr McKillip states, intended to draw an association with the applicants' longstanding use of Phen375.

The proprietor's evidence

20. A witness statement was provided by Mr David Hodges, a director of the proprietor. He explains that the assets and goodwill of a company called Gym Master (South-West) Limited ("GMSW") were acquired by the proprietor prior to the dissolution of GMSW on 24 April 2012. Another director of the proprietor, Mr Peter Hardy, was the sole director of GMSW. Mr Hodges states that:

"To the best of my knowledge and belief, [GMSW] first used the mark Phen 375...during September 2000 in relation to the manufacture and sale of "non-prescription food supplement for weight loss".

21. Mr Hodges states that there has been unbroken use of the mark by GMSW and subsequently by the proprietor. It is claimed that total sales since first use have reached £500k with £300k of that being before the application for the trade mark was made. Annual break downs are provided from 2006 onwards showing that turnover grew from £30k in 2006 to £50k in 2011. It is stated that sales have been made throughout the UK. Exhibit DH2 consists of "...a few orders processed by [the proprietor] for its customers in the UK and Europe". Four are in respect of UK sales and which identify Phen375 as the product being sold. The earliest (UK) invoice is from 2014. There are two further invoices, one to a person in Italy, the other to a person in Belgium; they are dated 2015 and 2014 respectively.

22. It is stated that marketing expenditure is negligible because its marketing effort is aimed exclusively at existing customers by way of leaflets inserted with orders and by way of the proprietor's website. A leaflet is provided which gives the supplier's domain name as www.phen-375.co.uk and which contains pictures of products called PhenKetones375 and PhenFire375. There are other leaflets which identify the product as PhenOriginal375. One leaflet, as well as depicting the logo for PhenOriginal375, contains around 20 other brands that can be supplied.

23. Mr Hodges states GMSW's first use was some nine years prior to that of the applicants. In support, he refers to Exhibit DH4, which consists of a leaflet issued by GMSW. It carries an "Offer Ends" date of 30 November 2008. The company describes itself as "No1 Sports Nutrition Supplier to the trade" and boasts that "we can supply over 25 top UK and USA manufacturers and over 600 products to you at TRADE and DISTRIBUTION PRICES". On the right hand side of the page some text appears which reads "Massive stocks with immediate delivery available on all these leading brands", followed by a list of brand names (in logo form) of which Phen375 is one.

24. Mr Hodges accepts that he purchased a sample of the applicants' goods "on being made aware of [their] Phen375 product being sold over the Internet". He does not say why he did so, nor why he was made aware of the use. There is nothing to suggest that Mr Hodges had any role in GMSW in 2011 which is when the order was placed. The date of the order is also just short of thirteen weeks before the proprietor was incorporated. Mr Hodges goes on to say that the applicants' product contains an ingredient classified as a novel food by the European Commission and cannot be sold openly on markets in the EU.

25. It is stated that the mark Phen375 was chosen by GMSW as it alludes to the prescription drug phentermine which can only be obtained in a dosage of 37.5mg. A picture of the prescription drug is shown in Exhibit DH5. Mr Hodges states that registration was sought because of other traders using the word PHEN on similar products. He adds that the word PHEN has now become generic in the fat burning industry. Exhibit DH6 is a Google Images search for the word PHEN which depicts a large number of products. They are not all easy to read, but include PhenQ, Phen375, Phen-ES and Phen p 375.

26. Mr Hodges notes that the applicants sell their products via a website which is listed in dollars and with orders processed and shipped from the US and, as such, they have no physical presence in the UK and their products are not sold in pounds which, he says, is in contrast with the proprietor's use. The point made is that customers will be aware of which business they are purchasing from.

27. Mr Hodges denies that any packaging was copied. He says that its design is original and was chosen to reflect the packaging of the prescription product. The use of the word ORIGINAL in the product name represents, apparently, an attempt to distance the goods from those of the applicants and to indicate to customers that they are purchasing the proprietor's original goods.

28. A witness statement was also provided by Mr Hardy, a director of the proprietor and, as already highlighted, a director of GSMW prior to its dissolution. He explains that he purchased a business called GYM MASTER in 1998 which had been trading as a retail outlet since as early as 1989. That business was transferred to the limited company GSMW when it was incorporated on 26 October 1998. He confirms that he was a director of GSMW until it was dissolved on 24 April 2012, but, prior to this, its assets and goodwill were sold to the proprietor. He states that GSMW first used the mark as described by Mr Hodges in his paragraph 3 (which comprises what I said in paragraph 20 above). He states that GSMW was a retail outlet selling dietary supplements and sporting/fitness goods. They were sold over the Internet (via gymmastertrade.co.uk) and through fitness centres.

29. The proprietor's evidence was accompanied by a set of written submissions from Sandiford Tennant. They are borne in mind, but not summarised here.

The applicants' reply evidence

30. A second witness statement was provided by Mr McKillip commenting on the proprietor's "supposed" use. He first deals with the flyer from 2008 issued by GSMW. He explains that the applicants first began its production and sales in 2007. Some early proofs of packaging etc. is provided in support of this which have proof dates in 2007. He states that the logos on these documents are identical to the logo on the GSMW flyer, the implication being that GSMW were simply re-selling the applicants' goods.

31. Mr McKillip explains that the applicants' goods do comply with UK and EU regulations and the reason they only sell direct is for commercial purposes. I need say no more about this (because I struggle to see its relevance), nor about a further

witness statement from a Mr Terence Young who attests to the goods manufactured by his company for the applicants (since 2013) fully complying with the relevant regulations.

32. A witness statement is also provided by Ms Amy Wood, a part qualified trade mark attorney at Marks & Clerk. She also deals with the 2008 leaflet. Her evidence is provided to show that the list of brands shown on the right hand side of the leaflet are all third party brands. The evidence she provides (trade mark registrations, web prints etc) supports this. The point being made is that GMSW were merely making the products available for sale. It should be noted that at the hearing Mr Harrison accepted that the brands were all third party brands, other than Phen375 which, he submitted, was GMSW's brand.

33. Ms Wood also provides "Whois" information about the proprietor's website, and, also, a website selling its goods, the domain names of which appeared on the leaflets in Mr Hodge's evidence (summarised at paragraph 22 above). This shows that the domains were not registered until 2014 and, so, do not pre-date the application for registration. Finally, she states that she conducted a Whois search for the GMSW website mentioned by Mr Hardy in his witness statement, but could find no record.

Section 5(4)(a)

34. Section 5(4)(a) of the Act reads:

"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

(b)...

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.”

35. Halsbury’s Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165 provides the following analysis of the law of passing-off. The analysis is based on guidance given in 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. It 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.”

36. 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.”

The relevant date

37. Whether there has been passing-off must be judged at a particular point (or points) in time. In *Advanced Perimeter Systems Limited v Multisys Computers Limited*, BL O-410-11, Mr Daniel Alexander QC, sitting as the Appointed Person, stated:

“39. In *Last Minute*, the General Court....said:

‘50. 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 (*Cadbury Schweppes v Pub Squash* (1981) R.P.C. 429).

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.’

40. Paragraph 51 of that judgment and the context in which the decision was made on the facts could therefore be interpreted as saying that events prior to the filing date were irrelevant to whether, at that date, the use of the mark applied for was liable to be prevented for the purpose of Article 8(4) of the CTM

Regulation. Indeed, in a recent case before the Registrar, *J Sainsbury plc v. Active: 4Life Ltd* O-393-10 [2011] ETMR 36 it was argued that *Last Minute* had effected a fundamental change in the approach required before the Registrar to the date for assessment in a s.5(4)(a) case. In my view, that would be to read too much into paragraph [51] of *Last Minute* and neither party has advanced that radical argument in this case. If the General Court had meant to say that the relevant authority should take no account of well-established principles of English law in deciding whether use of a mark could be prevented at the application date, it would have said so in clear terms. It is unlikely that this is what the General Court can have meant in the light of its observation a few paragraphs earlier at [49] that account had to be taken of national case law and judicial authorities. In my judgment, the better interpretation of *Last Minute*, is that the General Court was doing no more than emphasising that, in an Article 8(4) case, the *prima facie* date for determination of the opponent's goodwill was the date of the application. Thus interpreted, the approach of the General Court is no different from that of Floyd J in *Minimax*. However, given the consensus between the parties in this case, which I believe to be correct, that a date prior to the application date is relevant, it is not necessary to express a concluded view on that issue here.

41. There are at least three ways in which such use may have an impact. The underlying principles were summarised by Geoffrey Hobbs QC sitting as the Appointed Person in *Croom's TM* [2005] RPC 2 at [46] (omitting case references):

- (a) The right to protection conferred upon senior users at common law;
- (b) The common law rule that the legitimacy of the junior user's mark in issue must normally be determined as of the date of its inception;
- (c) The potential for co-existence to be permitted in accordance with equitable principles.

42. As to (b), it is well-established in English law in cases going back 30 years that the date for assessing whether a claimant has sufficient goodwill to maintain an action for passing off is the time of the first actual or threatened act of passing off: *J.C. Penney Inc. v. Penneys Ltd.* [1975] FSR 367; *Cadbury-Schweppes Pty Ltd v. The Pub Squash Co. Ltd* [1981] RPC 429 (PC); *Barnsley Brewery Company Ltd. v. RBNB* [1997] FSR 462; *Inter Lotto (UK) Ltd. v. Camelot Group plc* [2003] EWCA Civ 1132 [2004] 1 WLR 955: “date of commencement of the conduct complained of”. If there was no right to prevent passing off at that date, ordinarily there will be no right to do so at the later date of application.

43. In *SWORDERS TM O-212-06* Mr Alan James acting for the Registrar well summarised the position in s.5(4)(a) proceedings as follows:

‘Strictly, the relevant date for assessing whether s.5(4)(a) applies is always the date of the application for registration or, if there is a priority date, that date: see Article 4 of Directive 89/104. However, where the applicant has used the mark before the date of the application it is necessary to consider what the position would have been at the date of the start of the behaviour complained about, and then to assess whether the position would have been any different at the later date when the application was made.’ ”

38. The applicants must establish that it had goodwill associated with the sign Phen375 at least by the date on which the proprietor filed its trade mark, namely 31 January 2012. However, the proprietor claims that its mark was used prior to that date (albeit by a predecessor) and that it has a senior goodwill. I will firstly consider whether the applicants’ possess goodwill associated with the sign as of 31 January 2012 as if they do not, their case is bound to fail. However, if that hurdle is met, I will consider the proprietor’s use and decide if they have a senior and/or concurrent goodwill which would then, consequently, require an assessment of the respective rights of the parties at an earlier date.

Goodwill

39. In *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217 (HOL), the Court stated:

“What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start.”

40. In *Hart v Relentless Records* [2003] FSR 36, Jacob J. (as he then was) stated that:

“62. In my view the law of passing off does not protect a goodwill of trivial extent. Before trade mark registration was introduced in 1875 there was a right of property created merely by putting a mark into use for a short while. It was an unregistered trade mark right. But the action for its infringement is now barred by s.2(2) of the Trade Marks Act 1994. The provision goes back to the very first registration Act of 1875, s.1. Prior to then you had a property right on which you could sue, once you had put the mark into use. Even then a little time was needed, see per Upjohn L.J. in BALI Trade Mark [1969] R.P.C. 472. The whole point of that case turned on the difference between what was needed to establish a common law trade mark and passing off claim. If a trivial goodwill is enough for the latter, then the difference between the two is vanishingly small. That cannot be the case. It is also noteworthy that before the relevant date of registration of the BALI mark (1938) the BALI mark had been used ‘but had not acquired any significant reputation’ (the trial judge's finding). Again that shows one is looking for more than a minimal reputation.”

41. However, a small business which has more than a trivial goodwill can protect signs which are distinctive of that business under the law of passing-off even though its reputation may be small. In *Stacey v 2020 Communications* [1991] FSR 49, Millett J. stated that:

“There is also evidence that Mr. Stacey has an established reputation, although it may be on a small scale, in the name, and that that reputation preceded that of the defendant. There is, therefore, a serious question to be tried, and I have to dispose of this motion on the basis of the balance of convenience.”

See also: *Stannard v Reay* [1967] FSR 140 (HC); *Teleworks v Telework Group* [2002] RPC 27 (HC); *Lumos Skincare Limited v Sweet Squared Limited and others* [2013] EWCA Civ 590 (COA)

42. In terms of what is required to establish goodwill, I note that in *South Cone Incorporated v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* [2002] RPC 19 (HC), Pumfrey J. stated:

“27. There is one major problem in assessing a passing of 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 s.11 of the 1938 Act (see *Smith Hayden & Co. Ltd's Application (OVAX)* (1946) 63 R.P.C. 97 as qualified by *BALI Trade Mark* [1969] R.P.C. 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 to 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 probabilities that passing off will occur.”

43. However, in *Minimax GmbH & Co KG v Chubb Fire Limited* [2008] EWHC 1960 (Pat) Floyd J. stated that:

“[The above] 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.”

Analysis of applicants' use

44. The applicants' case is that their Phen375 product has been manufactured and sold since 2007 with sales being made direct from its website (including affiliate sales). However, it was not until 2009 that sales expanded to the UK and the EU. None of this is seriously challenged by the proprietor, however, it does not necessarily accept that goodwill has been generated on account of the short length of time involved (2-3 years) and that turnover figures are only provided for the last of those years. Although not a point pressed by Mr Harrison at the hearing, I also note the comment made by Mr Hodges that the applicants' have no physical presence in the UK and price their product in dollars. Mr St Quintin submitted that goodwill had been established, he highlighted that in addition to the turnover figures that have been provided, there were also the website statistics to bear in mind which show access by large numbers of people from the UK.

45. First, it is clear that a physical presence in the UK is not a pre-requisite for the establishment of goodwill. What matters is custom in the UK. An example of this can be seen in the judgment of the Supreme Court in *Starbucks (HK) Limited and another v British Sky Broadcasting Group plc and others* [2015] UKSC 31:

“55. As to what amounts to a sufficient business to amount to goodwill, it seems clear that mere reputation is not enough, as the cases cited in paras 21-26 and

32-36 above establish. The claimant must show that it has a significant goodwill, in the form of customers, in the jurisdiction, but it is not necessary that the claimant actually has an establishment or office in this country. In order to establish goodwill, the claimant must have customers within the jurisdiction, as opposed to people in the jurisdiction who happen to be customers elsewhere. Thus, where the claimant's business is carried on abroad, it is not enough for a claimant to show that there are people in this jurisdiction who happen to be its customers when they are abroad. However, it could be enough if the claimant could show that there were people in this jurisdiction who, by booking with, or purchasing from, an entity in this country, obtained the right to receive the claimant's service abroad. And, in such a case, the entity need not be a part or branch of the claimant: it can be someone acting for or on behalf of the claimant. That is why, as explained in *Athlete's Foot*, the decision in *Panhard et Levassor* and the observations in *Pete Waterman* are compatible with the decision in *Alain Bernardin*.”

46. Whilst the applicants' website being priced in dollars is not a wholly irrelevant factor, it is clear that the applicants' have UK customers. Whilst the length of time involved is not huge, goodwill has been established in far less. It is a question of fact and degree. Whilst it would have been better to have been provided with turnover figures for all of the time period involved, what has been provided is not insignificant. Further, I agree with Mr St Quintin that the website statistics supplement the evidence provided. Even though they go no further back than the turnover figures, they are consistent with the operation of a business with customers in the UK. I accept that it would be wrong to take the earlier worldwide turnover figures and attempt to make some form of approximation of UK sales, nevertheless, it is logical to assume that some sales were made.

47. The one aspect I pause on slightly is the sign itself, and the degree to which it is associated with the applicants. There are two issues to deal with. First, there was a point in Mr Harrison's skeleton which states:

“Furthermore, there was an absence of a distinguishing feature since the mark Phen375 served at that time to distinguish the products of the [proprietor]...”

48. This is akin to an argument that the sign cannot be distinctive of the applicants' business because it is distinctive of the proprietor. Whilst I will come back to the proprietor's use and decide whether it had a senior or concurrent goodwill, and whether, therefore, the rights of the parties should be judged at an earlier time, the basic argument does not assist in terms of whether the applicants had goodwill associated with the sign Phen375. Subject to what I say in the following paragraph, the name is used by the applicants as an indicator of trade origin. Further, it is not as though goodwill need be exclusively distinctive¹.

49. The second point regarding the degree to which the sign Phen375 is associated with the applicants' goodwill stems from the fact that on one of the forms of use provided by Mr McKillip, the packaging depicts the words Phentemine376 not Phen375. However, as pointed out by Mr St Quintin, there is use in the same document which refers to the product as Phen375 and, all of the other use, including proofs from 2007, show the name as Phen375. I am not, therefore, overly concerned by this point.

50. Before concluding on the applicants' goodwill, I should stress that no issue has been taken by the proprietor with regard to the relationship between the three applicants and the acquisition of RDK by Sunpyramid in 2015. It was mentioned by Mr Harrison that the third applicant, Shippitsa, is a dormant company, however, this was not in evidence and, in any event, I struggle to see how this can call into question the clear facts regarding custom in the UK that have been provided.

51. My finding is that as of 31 January 2012, the applicants had a goodwill in the UK which was primarily associated with the sign Phen375. It may not be the strongest of goodwill, but it is a reasonable one, protectable under the law of passing-off.

52. Had no claim been made by the proprietor regarding pre-filing use then that would have been the end of the matter. The elements of misrepresentation and damage would self-evidently have followed given the identity of the signs and the goods. However, given the claim that has been made, I will go on to consider whether the

¹ See, for example, *Associated Newspapers Ltd v Express Newspapers* [2003] FSR 51 (HC).

proprietor has a senior or concurrent goodwill and whether the rights of the parties should be considered at any earlier point in time.

Analysis of proprietor's use

53. Mr St Quintin was highly critical of the proprietor's evidence. He highlighted that the primary evidence giver was Mr Hodges, yet he had no role in GMSW. Whilst evidence was also given by Mr Hardy (who was a director of GMSW) he says very little. Further problems were identified, such as the provision of estimated turnover figures by Mr Hodges – it is difficult, it was submitted, to see how Mr Hodges could have estimated anything because he had no role at GMSW and there is no other basis identified as to how he was able to make estimations. Further, it was highlighted that the sales were apparently in respect of both the EU and the UK, but there is no evidence as to the UK breakdown. The only (pre-filing) documentary evidence is the leaflet from 2008, which Mr St Quintin submitted shows that GMSW were simply acting as a re-seller of third party branded goods and that the Phen375 mentioned in the leaflet was likely to be the applicants' product. Mr Harrison submitted that there was no reason not to accept the proprietor's evidence that it was the first user of the mark and that it had been using the mark in the UK on a long-standing basis. He highlighted that the Phen375 logo depicted in the leaflet was not in exactly the same font as the logo in the applicants' 2007 proofs and that given the allusive characteristics of the word/number combination in question, this is the type of mark that could be adopted independently.

54. I agree with Mr St Quintin that the weight of Mr Hodge's evidence, at least in terms of those parts which relate to the business of GMSW, is lessened by the fact that he was not involved at the time. Mr Hodges states that his evidence comes from his own personal knowledge (in which case it may be hearsay as he did not work for GMSW) or else has come from the records of GMSW (in which case one would expect to see specific details and documentary evidence). The hearsay aspect of the evidence could have been avoided by Mr Hardy giving fuller evidence, yet he says little. I accept that he confirms Mr Hodges' evidence that Phen375 was first used in 2000 in relation to the manufacture and sale of a weight loss supplement, but it is interesting to note that he goes on to explain that it [GMSW] was a retail outlet selling dietary supplements

and sporting/fitness goods over the Internet (via gymmastertrade.co.uk) and through fitness centres. I note that in relation to the fitness centres, Mr Hardy does say that he and Mr Hodges were involved in those businesses as directors, but this does not significantly detract from the lessening of weight of Mr Hodges's evidence in terms of his knowledge of GMSW's business activities. I also agree that it is difficult to see any basis on which Mr Hodges could have estimated turnover figures – if he got them from the records then they would not be estimates.

55. This all then leads to the 2008 leaflet, which appears to be the one item of evidence obtained from GMSW's records. As stated earlier, Mr Harrison accepted that all of the brands listed on the leaflet were third party brands, save for Phen375. This is rather odd, although, I accept not impossible. However, its oddness is compounded by Mr Hardy's explanation that the business was a "retail outlet" and also by the text used in the leaflet which reads:

"No1 Sports Nutrition Supplier to the trade"

and

"we can supply over 25 top UK and USA manufacturers and over 600 products to you at TRADE and DISTRIBUTION PRICES".

56. Further, whilst I agree with Mr Harrison that the font used is not exactly the same as the font used in the applicants' 2007 proofs, it is nevertheless similar and uses a similar livery. Mr Harrison made a reasonable point that if the proprietor was simply re-selling the product then why did it not use the actual logo? There is no clear answer to that either way, there could, or course, have been other variations of the logo, albeit that would be speculating.

57. It is clear from the applicants' reply evidence that they did not accept the proprietor's "supposed" use and that any sales that were made was not on the basis of its [the proprietor's] own product but were those of third parties (including the applicants). There is no evidence from the proprietor that meets these points.

58. I come to the view that the type of use in the 2008 leaflet does not assist as it simply relates to the re-selling of third party products. Given the timing, it seems to me that GMSW simply managed to obtain stocks of the US Phen375 for re-sale on the UK market. This does not represent the behaviour now complained of, which relates, instead, to the sign being used as an indicator of trade origin by the proprietor. Any subsequent use by GMSW may be inferred to be of the same nature. Whilst I appreciate that the assertion made is that use began in 2000 (before the applicants even started in the US), the comments I made in relation to the weight to be attached to the evidence means that I regard this as unreliable, particularly when there is an absence of corroborative material. In any event, the statements are little more than bold assertion. Mr Harrison submitted that Mr Hodges' purchase of a sample of the applicants' goods in 2011 would have been unnecessary if GMSW were already selling the applicants' goods. However, and as I have already mentioned, Mr Hodges had no specific role at GMSW so this does little to persuade me that the leaflet from 2008 represents anything more than re-selling.

59. In reaching the above view, I have placed no weight on the absence of a breakdown between the claimed EU/UK sales, although, had I accepted that the proprietor was selling its own Phen375 product then this would have become a more pertinent point. Nor have I placed any weight on the pleadings points – there is nothing to suggest that there was anything improper in the way in which the proceedings moved forward. I have also placed little weight on the evidence Mr St Quintin relied upon in support of the bad faith claim, such as the use of pictures of the applicants' product in some blogs and the use of expressions such as "original" and the "genuine article". There is nothing to suggest that any use by GMSW (as a re-seller) was dishonest in anyway, so it's only possible relevance is that it could be said to taint the whole of Mr Hodge's evidence. Whilst I have reservations as to the reliability of Mr Hodge's evidence, I would not go this far.

60. My conclusion, therefore, is that any use made by GMSW was as a re-seller of third party branded products. It had no goodwill of its own associated with the sign Phen375, so whatever assets were acquired by the proprietor upon the dissolution of GMSW, they do not assist it in these proceedings. In view of this, the applicants' claim under section 5(4)(a) succeeds.

Well-known mark claim

61. The crucial question here is are the applicants the proprietor of a trade mark which is entitled to protection under the Paris convention or the WTO agreement as a well-known trade mark? Whether a mark is well-known falls to be assessed on whether it is well-known throughout the UK or in a substantial part of it. In terms of being well-known, in *Le Mans* (BL O-012-05) Mr Richard Arnold QC, as the Appointed Person, after thoroughly reviewing the relevant jurisprudence, adopted the criteria outlined in Article 2 of a joint recommendation (dated September 1999) from the Assembly of the Paris Union for the Protection of Intellectual Property and the General Assembly of the World Intellectual Property Organisation (WIPO). The criteria reads:

- “1. the degree of knowledge or recognition of the mark in the relevant sector of the public;
2. the duration, extent and geographical area of any use of the mark;
3. the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
4. the duration and geographical area of any registration, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
5. the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities;
6. the value associated with the mark.”

62. In *FIANNA FAIL/FINE GAEL* (BL O-043-08), Mr Hobbs QC, as the Appointed Person, when commenting on Mr Arnold’s decision and the criteria he utilised stated:

“It is clear from the analysis he provides that this is from beginning to end a question of fact and degree”

63. I also note that Mr Arnold QC (now Mr Justice Arnold) also utilised the six criteria set out above in his judgment in *Hotel Cipriani SRL, Hotelapa Investimento Hoteleiro SA, Island Hotel (Madeira) Limited v. Cipriani (Grosvenor Street) Limited, Giuseppe Cipriani, Cipriani International SA* [2008] EWHC 3032 (Ch).

64. In my view, whilst the applicants' have established that the mark is known to a certain degree, they are from satisfying me that the mark is well-known. The absence of much of the type of evidence referred to in the six points referred to above is not helpful. There is nothing to show that beyond being a customer, that the mark has come to the attention of the public (for the goods in question) through any other means. The mark does not meet the well-known mark test, so the grounds (sections 5(1)/5(2)(a)) based on the existence of a well-known mark fail.

Section 3(6)

65. I do not consider it necessary to consider this ground. I come to this view for the following reasons:

- i) The applicants have already won so the consideration of a further ground adds little.
- ii) If, on appeal, my decision under section 5(4)(a) is upheld then they are similarly in no better position.
- iii) If, on appeal, my decision under section 5(4)(a) is overturned, then it is likely that the proprietor will have been held to be a senior user by virtue of the acquisition of [relevant] goodwill from GMSW. If this is the case, it would be difficult to find bad faith on the part of a successor in title to the senior user who applies to register the mark that was being used.

Conclusion

66. The application for invalidation is successful and the registration is deemed never to have been made.

Costs

67. The applicants having been successful, they are entitled to a contribution towards their costs. Mr St Quintin asked for costs off the scale on the basis that the proprietor had given false evidence. Mr Harrison said that if I concluded that the evidence was false then this would be difficult to resist, although, of course, his position is that the evidence was not false. Although I have found against the proprietor, I do not think the matter of costs is as black and white as Mr St Quintin suggested. Whilst I have issues concerning the reliability of Mr Hodges' evidence leading me to conclude, on the balance of probabilities, against him, I have difficulty in saying that the evidence he gave was manifestly and intentionally false. It may be that he strained himself to make the best of the little evidence he could locate and perhaps misunderstood the significance of being a brand owner and simply re-selling brands. I also bear in mind that he was not the best person to give evidence anyway, and the evidence should really have come from Mr Hardy. Whilst not ideal, I do not consider the conduct to be the sort of unreasonable behaviour for which off-scale costs awards are to be made, but nevertheless consider it reasonable to allow costs towards the upper end of the published scale. Additionally, added to the costs are those that relate to a case-management conference. Whilst I allowed a request from the proprietor for additional time, I indicated that costs would still go against it because of the lack of detail in its initial request. My assessment on costs is as follows:

Official fee - £200

Preparing a counterstatement and considering the other side's statement of case - £600

Filing and considering evidence - £1500

Attending the hearing - £700

Case-management conference £200

Total - £3200

68. I order Phen375 Limited to pay Sunpyramidhealth S.A., RDK Global Nutraceuticals S.A. and Shippitsa Limited (jointly) the sum of £3200 within fourteen days of the expiry of the appeal period or within fourteen days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 18th day of October 2016

**Oliver Morris
For the Registrar,
The Comptroller-General**