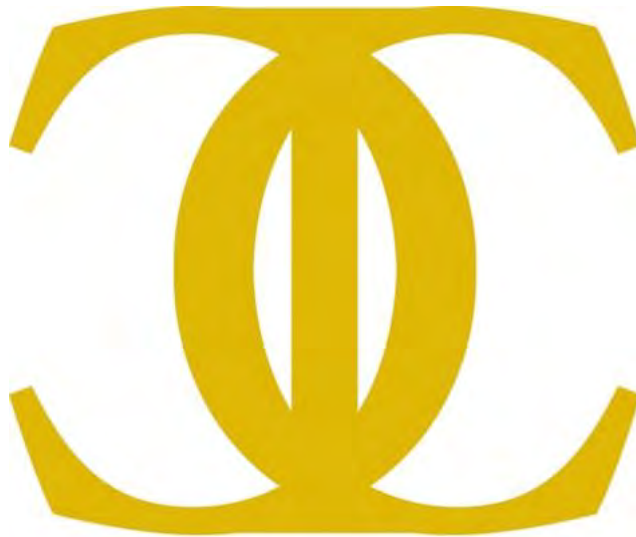


O-508-14

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION NO 2641764
IN THE NAME OF CARAT 24 LIMITED
OF THE TRADE MARK**



CARAT 24

IN CLASSES 25, 26 AND 27

**AND
THE OPPOSITION THERETO
UNDER NO 104615
BY
CHANEL LIMITED**

Background and the pleadings

1. Chanel Limited (“Chanel”) opposes the application by Carat 24 Limited (“Carat”) to register, under number 2641764, the trade mark shown below in classes 25, 26 and 27:



2. The application was filed on 10 November 2012 and was published for opposition purposes in the *Trade Marks Journal* on 14 December 2012 for the following goods:

Class 25: *Clothing, including leather clothing, for men and women.*

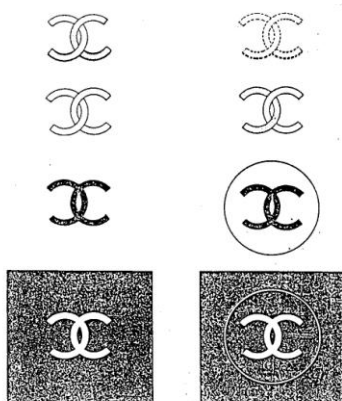
Class 26: *Buttons for clothing.*

Class 27: *Carpets and rugs.*

3. Chanel opposes the goods in classes 25 and 26 on the basis that registration of the mark would be contrary to section 5(2)(b) of the Trade Marks Act (“the Act”). It opposes all the goods under section 5(3) of the Act.

4. To support its grounds, Chanel relies upon four earlier trade mark registrations, as follows:

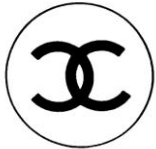
(i) 1425026 (series of 8 marks)



Class 26: *Lace, embroidery, ribbons, braids; buttons; artificial flowers; hair ornaments, hair grips, hair slides; hair bands; fasteners; hooks and eyes; badges for wear; belt clasps; brooches, buckles; shoe buckles, shoe fasteners, shoe ornaments; all included in Class 26.*

The mark was applied for on 9 May 1990 and it completed its registration process on 11 December 1992. The exclusive use of the letter "C" is disclaimed. This registration is relied upon to attack all of the goods in classes 25, 26 and 27.

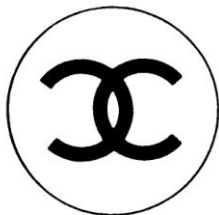
(ii) 1454208 (no information as to whether a series of marks)



Class 25: Articles of clothing for women and for girls; stockings, tights; shirts, t-shirts, sweatshirts, pullovers, sweaters, cardigans; articles of outer clothing; hats; scarves; socks, gloves, belts, ties, cravats; footwear; all included in Class 25.

The mark was applied for on 29 January 1991 and it completed its registration process on 12 June 1992. This registration is relied upon to attack all of the goods in classes 25, 26 and 27.

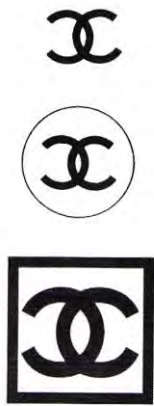
(iii) 1351464 (series of 2 marks)



Class 18: Handbags; purses; wallets; credit cards holders; belts; vanity cases; luggage; parts and fittings for all the aforesaid goods; all included in Class 18.

The mark was applied for on 19 July 1988 and it completed its registration process on 28 June 1991. This registration is relied upon to attack all of the class 25 goods under section 5(2)(b) and all of the goods under section 5(3).

(iv) 2389072 (series of 3 marks)



Class 25: Articles of clothing; headgear; footwear.

The mark was applied for on 11 April 2005 and it completed its registration process on 15 December 2006. This registration is relied upon to attack all of the goods in classes 25, 26 and 27.

5. Chanel claims that there is a likelihood of confusion under section 5(2)(b) of the Act because of the similarities between the parties' marks and the identity or similarity of the goods. Chanel also relies upon the enhanced distinctive character through use of its marks as an additional factor pointing towards a likelihood of confusion.

6. Under section 5(3) of the Act, Chanel claims that Carat will benefit from Chanel's reputation in its marks for luxury goods leading to a marketing advantage for Carat. Chanel claims that use of the application will dilute the distinctiveness of the earlier marks which are associated exclusively with Chanel. Further, Chanel claims that it has a reputation for producing luxury products and if the goods of the application were inferior, this would reduce the degree of value vested in Chanel's products.

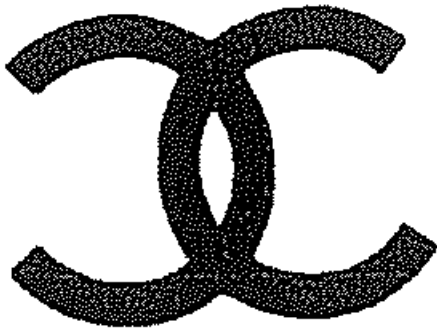
7. Carat filed a comprehensive counterstatement, which I will not detail here but will bear in mind in making this decision. Chanel's earlier marks all completed their registration processes more than five years prior to the publication of the opposed application. Carat has requested that Chanel prove use in all the goods relied upon¹, as per section 6A of the Act. Carat denies the grounds of opposition. Whilst it acknowledges that the goods in classes 25 and 26 are identical or similar, it claims that the marks are not similar, consisting of symmetrical inverted Ts and overlapping Cs. It claims that CARAT 24 is the dominant and distinctive element because the public can refer more easily to word components and because the eye will be drawn to CARAT 24. It denies that there would be a link and denies that Chanel has proven a reputation in its goods under its marks; hence, the section 5(3) ground should fail, especially since there is a distance between Chanel's goods and Carat's carpets and rugs. In relation to dilution, Carat states that it is common in the fashion sector for monograms to be used as trade marks. Some examples of decisions from

¹ Chanel has made a statement of use in respect of all the goods it relies upon.

the Office for Harmonisation in the Internal Market (“OHIM”) are attached to the counterstatement.

8. Both parties are represented by firms of trade mark attorneys and both sides filed evidence. The matter came to be heard before me on 6 November 2014 at a hearing held in Newport, at which Chanel was represented by Ms Marisa Broughton, of Withers & Rogers LLP. Carat did not attend and was not represented. It did not file written submissions in lieu of a hearing.

9. At the hearing, Ms Broughton said that the representation of the mark upon which Chanel focuses its submissions is as follows:



This mark forms one of the series of marks in each of Chanel’s registrations. In this decision, I will refer to Chanel’s marks in the singular.

10. Ms Broughton also submitted that Carat, in its evidence, accepted that Chanel has made genuine use of its mark upon the goods relied upon. Carat’s evidence is in the form of a witness statement from its trade mark attorney, Oliver Oguz. Although a witness statement, its contents are in the nature of submissions rather than facts. It was filed after Chanel had filed its evidence. Mr Oguz begins with an analysis of the section 5(2) ground, moving through a detailed comparison of the parties’ marks; setting out the standard authorities relating to whether there is a likelihood of confusion; assessing the level of attention of the average consumer and concluding that as the marks are dissimilar, there is no likelihood of confusion. Nowhere in the section 5(2) analysis, or elsewhere, does Mr Oguz address the issue of proof of genuine use (having put Chanel to proof of use). The next section of Mr Oguz’s statement deals with the section 5(3) ground: this is the basis for Ms Broughton’s submission that use has been accepted. I will reproduce here the parts of Mr Oguz’s statement which have led Ms Broughton to make this submission (my emphasis):

“39. Invoices referred to in the Opponent’s witness statement are not proof that the Opponent has a reputation in its mark, but merely shows that the Opponent has put its mark to commercial use, as does any other company selling products under a brand. The volume of such sales is influenced by many social, cultural, economic and commercial factors, and not, as stated by the Opponent, a simple matter of a brand’s reputation i.e. the quality of the products or their distribution channels.

...

42. The Applicant asserts that the Opponent's expenditure for advertising and promotion of its mark at fashion events and in publications merely shows use of the CC monogram, and is nowhere near enough to prove sufficient trading reputation and goodwill in connection with the CC monogram and the alleged exclusive use by the Opponent.

43. Exhibits LKA7-9 only demonstrate mere use and does [sic] not show how such use has affected the Opponent's alleged reputation."

11. Mr Oguz did not attend the hearing, so it was not possible to explore the issue with him. I agree with Ms Broughton that the aforementioned parts of Mr Oguz's statement constitute an acceptance that Chanel has used its marks; further, there is nothing elsewhere in Mr Oguz's statement to put that in doubt. The consequence of Carat's acceptance of Chanel's use is that Chanel is entitled to rely upon all of the goods of its registrations.

12. I will not summarise Mr Oguz's witness statement because it consists entirely of submissions. He has attached a selection of examples of registered trade marks in the form of monograms from various fashion houses, including Yves Saint Laurent, Louis Vuitton, Gucci and DC to show that monograms are commonly used in the fashion trades. Also included is a registration belonging to Country Casuals which shows two overlapping Cs, which are not back-to-back. They face forward. A further registration belonging to Cartier is exhibited:



Mr Oguz submits that this shows that CC monograms are already diluted in the fashion industry.

Chanel's reputation in its mark

13. Given that Carat has accepted that Chanel has made genuine use of its marks, but denies that such use gives it a reputation sufficient for section 5(3) of the Act, I will concentrate, in my summary of Chanel's evidence, upon aspects relating to reputation. Reputation is also relevant in the global appreciation of whether there is a likelihood of confusion under section 5(2)(b) of the Act.

14. Chanel's evidence comes from Lucy Aboulian, who is Chanel's Senior Intellectual Property Counsel. She states that the facts in her witness statement come from her own knowledge or from Chanel's records, to which she has full access. Points of note from Ms Aboulian's evidence include:

- Chanel is a leading fashion house, selling clothing, footwear, bags, fashion accessories, perfumes, cosmetics, jewellery and watches.

- The CC monogram was first used in relation to the CHANEL N° 5 fragrance, launched in 1921. It has been extended, since at least the 1980s, to other fragrance and beauty products, clothing, footwear, fashion accessories, costume jewellery, scarves, handbags, purses and belts. Examples of use on handbags, purses, belts, vanity cases, luggage and wallets in 2010, 2011 and 2012 are shown in Exhibit LKA1. Examples of use on clothing, headgear and footwear in these years is shown in exhibit LKA2. Exhibit LKA3 shows examples of buttons and hair accessories in 2012 bearing the mark.
- The CC monogram is a core and distinctive part of Chanel's branding and has been used on and in relation to a wide range of goods for several decades, including clothing, fashion accessories, perfumes, cosmetics, sports equipment, scooters, musical instruments and mobile art exhibitions.
- The CC monogram is used on or in relation to virtually all of its products.
- Annual net sales figures in the UK for the years 2007 to 2012 for clothing, belts, shoes and clothing accessories run into the many millions of pounds (the exact figures are subject to a confidentiality order). Turnover more than doubled during this period. Ms Aboulian states that every item of clothing bears the CC monogram in its neck label and/or swing tag, while buttons also bear the monogram, as does some of the material used and belt clasps etc.
- Invoices from 2007 to 2012 for goods bearing the CC monogram are shown in exhibit LKA4. These are luxury goods: there are invoices for wallets at £385 each, a jacket at £4,790, a top costing £630, and a cardigan costing £2,030. A pair of tights costs £135. Examples of the goods which appear in the invoices are included in exhibit LKA4, which also show the mark appearing on the buttons (where garments include buttons). Examples of neck labels bearing the mark are shown in exhibit LKA5.
- Two specific styles of bag which bear the CC monogram, the Classic and the Cambon, have achieved annual UK net sales figures between 2007 and 2012 of many millions of pounds (the exact figures are subject to a confidentiality order). Invoices for sales of these bags are shown in exhibit LKA6, alongside pictures of the items. The average price of a bag in 2012 was about £3000.
- Examples of ways in which Chanel advertises its bags and clothing are features and advertisements in magazines such as Vogue, Harpers & Queen, Vanity Fair and Tatler and at UK fashion shows and events (exhibits LKA7 and LKA8 refer). Chanel goods also feature in Paris fashion shows, which attract the attention of the UK Press and receive global media coverage. The average media spend for clothing and bags between 2007 and 2012 ran to several hundred thousand pounds (the exact figures are subject to a confidentiality order).
- Amongst the examples of events hosted by Chanel which featured the mark, in exhibit LKA11, are details of "Une Promenade" at Harrods, during September 2011. The CC monogram flew on flags placed in a line along the roof of Harrods. The event was to launch Chanel's Autumn/Winter 2011

collection and was Harrod's largest single brand endorsement. The entire length of the shop windows was devoted to Chanel goods in classes 18 and 25. An event called The Little Black Jacket Exhibition was held in London in 2012 at the Saatchi Gallery, showcasing 113 photographs of models wearing Chanel's little black jacket. The display hoardings featured the CC monogram beneath the words "The Little Black Jacket London".

- Third-party articles and editorials from the Sunday Express, Guardian and various internet blogs are shown in exhibit LKA14. These refer to the reputation of the CC monogram and its status as one of the most recognised logos in the world; for example, from the Sunday Express (July 2009): "the world famous double "C" logo was designed by Coco herself in 1925. It has remained unchanged ever since."

Decision

Section 5(2)(b)

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

"(2) A trade mark shall not be registered if because –

(a)

(b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected,

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

The following principles are gleaned from the decisions of the EU courts in *Sabel BV v Puma AG*, Case C-251/95, *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc*, Case C-39/97, *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel B.V.* Case C-342/97, *Marca Mode CV v Adidas AG & Adidas Benelux BV*, Case C-425/98, *Matratzen Concord GmbH v OHIM*, Case C-3/03, *Medion AG v Thomson Multimedia Sales Germany & Austria GmbH*, Case C-120/04, *Shaker di L. Laudato & C. Sas v OHIM*, Case C-334/05P and *Bimbo SA v OHIM*, Case C-591/12P.

The principles

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

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

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

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

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

(f) however, it is also possible that in a particular case an element corresponding to an earlier trade mark may retain an independent distinctive role in a composite mark, without necessarily constituting a dominant element of that mark;

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

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

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

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

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

Comparison of goods

16. Chanel has only opposed Carat's class 25 and 26 goods under section 5(2)(b). I will address Carat's class 27 goods when I come to assess the section 5(3) ground.

17. The competing specifications under section 5(2)(b) are shown in this table:

Chanel	Carat
Class 25: Articles of clothing; <i>headgear; footwear.</i>	Class 25: Clothing, including leather clothing, for men and women;
Class 26: <i>Lace, embroidery, ribbons, braids; buttons; artificial flowers; hair ornaments, hair grips, hair slides; hair</i>	Class 26: Buttons for clothing;

<i>bands; fasteners; hooks and eyes; badges for wear; belt clasps; brooches, buckles; shoe buckles, shoe fasteners, shoe ornaments; all included in Class 26.</i>	
---	--

18. In *Gérard Meric v Office for Harmonisation in the Internal Market*, Case T-133/05, the General Court stated that:

“29. In addition, the goods can be considered as identical when the goods designated by the earlier mark are included in a more general category, designated by trade mark application (Case T-388/00 Institut für Lernsysteme v OHIM- Educational Services (ELS) [2002] ECR II-4301, paragraph 53) or where the goods designated by the trade mark application are included in a more general category designated by the earlier mark”.

19. Chanel has cover for *Articles of clothing* in class 25. Consequently, the parties' goods in class 25 are identical because Chanel's term encompasses Carat's class 25 goods. Chanel has cover for *buttons* in Class 26. Consequently, Carat's *buttons for clothing* in class 26 are identical to Chanel's buttons.

Average consumer

20. The average consumer is deemed to be reasonably well informed and reasonably observant and circumspect. For the purpose of assessing the likelihood of confusion, it must be borne in mind that the average consumer's level of attention is likely to vary according to the category of goods or services in question: *Lloyd Schuhfabrik Meyer*, Case C-342/97.

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

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

22. The average consumer here is the general public. I bear in mind that there may be an aural aspect to the purchasing process, but this will depend upon the marks being capable of articulation. The goods will be purchased primarily visually after examination of sales information, such as catalogues or websites, and the goods themselves. Items of ordinary cost will cause some degree of care to be used, but not the highest level of care. Clothing is likely to be a more considered purchase than buttons. In addition, factors such as size, comfort and construction play a part in attentiveness.


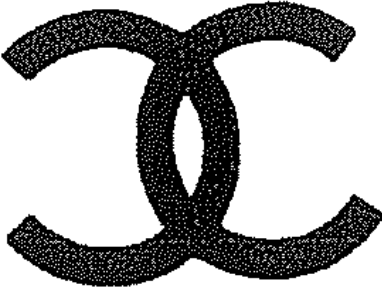
Comparison of marks

23. It is clear from *Sabel BV v. Puma AG* (particularly paragraph 23) that the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details. The same case also explains that the visual, aural and conceptual similarities of the marks must be assessed by reference to the overall impressions created by the marks, bearing in mind their distinctive and dominant components. The Court of Justice of the European Union stated at paragraph 34 of its judgment in Case C-591/12P, *Bimbo SA v OHIM*, that:

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

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

25. The respective marks are:

Carat	Chanel
	

26. Chanel's mark has a single element which is a device or monogram of two Cs, back-to-back and overlapping. This is the overall impression of Chanel's mark. Carat submits that its word element, CARAT 24, is the dominant and distinctive component of its mark. This is wrong: the mark as a whole is dominated by the distinctive device element. The CARAT 24 element is very small, proportionately. The device has much greater relative weight in the overall impression.

27. The device has the impression that it is two Cs, back to back, although on closer inspection there is a vertical line through the overlap that does not belong to the letter C. However, the average consumer is unlikely to give the mark this level of attention: the overall impression is of two Cs. Neither do I agree with Carat's submission that the average consumer would also, alongside two Cs, see two Ts.

28. To look at, the marks are very similar owing to the dominance of the device in Carat's mark and the high degree of visual similarity between the devices in the two marks. This is notwithstanding the additional word and numeral element in Carat's mark. I do not believe that Chanel's mark is likely to be pronounced by average consumers: trade mark professionals may refer to it as the CC monogram, but that does not mean that consumers will do so. Similarly, the device element of Carat's mark will not be pronounced, although CARAT 24 is obviously capable of verbal articulation. Neither device has a real concept, other than that of a monogram. Carat's mark has a level of meaning which is absent from Chanel's mark: CARAT 24 conjures up images of pure gold (24 carat gold).

Distinctiveness of Chanel's mark

29. Chanel's mark is visually striking. It has a good degree of inherent distinctive character. The evidence shows that the mark is extremely well-known in the haute couture industry, but I believe that its fame has extended to members of the public who would not normally buy Chanel clothing and handbags, which are priced at the luxury end of the fashion market. The logo flying above Harrods is an example of Chanel's mark reaching people from all walks of life. Chanel is entitled to rely upon an enhanced level of distinctive character in relation to clothing and handbags: the mark is highly distinctive of these goods. In relation to buttons, there is evidence that all the buttons on Chanel clothing carry the mark: Chanel's 'trade mark' buttons appear on all its garments. The CC monogram buttons are an outward indicator that this is a Chanel item of clothing. Chanel's reputation in the mark for clothing has also, to an extent, attached itself to its buttons.

Likelihood of confusion

30. Deciding whether there is a likelihood of confusion is not scientific; it is a matter of considering all the factors, weighing them and looking at their combined effect, in accordance with the principles from the EU courts, listed above in paragraph 15.

31. One of those principles states that a lesser degree of similarity between the goods and services may be offset by a greater degree of similarity between the trade marks, and vice versa (*Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc.*). I have found that the goods are identical.

32. A further principle states that there is a greater likelihood of confusion where the earlier mark has a highly distinctive character, either per se or because of the use that has been made of it (*Sabel BV v Puma AG*). There is no question that Chanel's mark is highly distinctive of clothing because of the use which has been made of it. It has achieved recognition at all levels of society as an iconic logo. The substantial reputation in Chanel's mark for clothing, the fact that the parties' goods in class 25 are identical to one another, the high visual similarities between the marks, for goods purchased primarily visually, all combine to create a likelihood of confusion, including confusion based upon imperfect recollection, in relation to class 25. Even without a reputation, the factors point to a likelihood of confusion. When the reputation is factored in, I am certain that there would be confusion. The addition of the small element CARAT 24 will not avoid confusion. I am unpersuaded by the examples of

other fashion house monograms which Mr Oguz has attached to his witness statement. Each case must be considered individually. What matters is the comparison between the two marks at issue.

33. In relation to buttons, the reputation for clothing spills over to buttons because of the particular reputation that Chanel has for using the mark on its buttons as an indicator that the clothing is from Chanel. However, as above, even without a reputation, the visual closeness of the marks for identical goods, which are purchased visually and without a great deal of attention, means that there is a risk of them being imperfectly recalled and a likelihood of confusion.

34. There is a likelihood of confusion. The opposition succeeds under section 5(2)(b) of the Act against the goods of the application in classes 25 and 26.

Section 5(3) of the Act

34. Section 5(3) states:

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

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

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

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

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

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

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

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

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

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

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

36. The conditions of section 5(3) are cumulative. Firstly, Chanel must satisfy me that its earlier mark has achieved a level of knowledge/reputation amongst a significant part of the public. Secondly, it must establish that the level of reputation and the alleged similarities between the marks will cause the public to make a link between them, when used in respect of the parties' goods, in the sense of the earlier mark being brought to mind by the later mark. Thirdly, assuming that the first and second conditions have been met, section 5(3) requires that one or more of three types of damage will occur. These are, within the context of Chanel's claims:

(i) that the application will erode or 'dilute' the distinctiveness of Chanel's mark so that the latter's capacity to act as a sign of trade origin will be diminished (detriment to the distinctive character of the earlier mark);

(ii) that Chanel will lose custom because its mark will be 'tarnished', because Carat's goods may be of inferior quality. There will be a negative impact on the image of Chanel's mark (detriment to the repute of the earlier mark);

(iii) that Carat will find it easier to sell its goods because of the link made with Chanel's mark, thereby riding on the coat tails of Chanel's promotional efforts and the power, reputation and prestige of the earlier mark (the later mark will take unfair advantage of the distinctive character or repute of the earlier mark.)

37. If any one of these three types of damage is proven by Chanel, the section 5(3) ground of opposition will be successful unless, notwithstanding the damage, Carat shows that it has "due cause", which is a compelling business reason to use its mark. There has been no suggestion of "due cause" in these proceedings.

38. The level of reputation necessary for a section 5(3) ground was described by the CJEU in *General Motors Corporation*:

"23. ... In so far as Article 5(2) of the Directive, unlike Article 5(1), protects trade marks registered for non-similar products or services, its first condition implies a certain degree of knowledge of the earlier trade mark among the public. It is only where there is a sufficient degree of knowledge of that mark that the public, when confronted by the later trade mark, may possibly make an association between the two trade marks, even when used for non-similar products or services, and that the earlier trade mark may consequently be damaged.

24. The public amongst which the earlier trade mark must have acquired a reputation is that concerned by that trade mark, that is to say, depending on the product or service marketed, either the public at large or a more specialised public, for example traders in a specific sector.

25. It cannot be inferred from either the letter or the spirit of Article 5(2) of the Directive that the trade mark must be known by a given percentage of the public so defined.

26. The degree of knowledge required must be considered to be reached when the earlier mark is known by a significant part of the public concerned by the products or services covered by that trade mark.

27. In examining whether this condition is fulfilled, the national court must take into consideration all the relevant facts of the case, in particular the market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it."

39. I have set out in paragraph 29 my findings in relation to Chanel's mark: its fame has extended to members of the public who would not normally buy Chanel clothing and handbags, which are priced at the luxury end of the fashion market. The degree of knowledge required must be considered to be reached when the earlier mark is

known by a significant part of the public concerned by the products or services covered by that trade mark. Chanel's mark is globally renowned as a luxury brand of considerable longevity and heritage: it is synonymous with classic, high class fashion. Chanel's mark easily satisfies this condition of section 5(3).

40. The next consideration is whether the public will make a link between the marks. The relevant public is the public at large for both parties' goods, and is deemed to be reasonably well informed and reasonably observant and circumspect². The CJEU said, in *Intel Corporation Inc v CPM (UK) Ltd* (C-252-07), that if the later mark would call the earlier mark to mind, this is tantamount to the existence of a link. The other factors considered by the CJEU are as follows, from the same judgment (with my underlining):

"31 In the absence of such a link in the mind of the public, the use of the later mark is not likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier mark.

...

41 The existence of such a link must be assessed globally, taking into account all factors relevant to the circumstances of the case...

42 Those factors include:

- the degree of similarity between the conflicting marks;
- the nature of the goods or services for which the conflicting marks were registered, including the degree of closeness or dissimilarity between those goods or services, and the relevant section of the public;
- the strength of the earlier mark's reputation;
- the degree of the earlier mark's distinctive character, whether inherent or acquired through use;
- the existence of the likelihood of confusion on the part of the public.

44 As regards the degree of similarity between the conflicting marks, the more similar they are, the more likely it is that the later mark will bring the earlier mark with a reputation to the mind of the relevant public. That is particularly the case where those marks are identical.

45 However, the fact that the conflicting marks are identical, and even more so if they are merely similar, is not sufficient for it to be concluded that there is a link between those marks.

² *Intel Corporation Inc v CPM (UK) Ltd* (C-252-07), paragraphs 35 and 36.

46 It is possible that the conflicting marks are registered for goods or services in respect of which the relevant sections of the public do not overlap.

47 The reputation of a trade mark must be assessed in relation to the relevant section of the public as regards the goods or services for which that mark was registered. That may be either the public at large or a more specialised public (see *General Motors*, paragraph 24).

48 It is therefore conceivable that the relevant section of the public as regards the goods or services for which the earlier mark was registered is completely distinct from the relevant section of the public as regards the goods or services for which the later mark was registered and that the earlier mark, although it has a reputation, is not known to the public targeted by the later mark. In such a case, the public targeted by each of the two marks may never be confronted with the other mark, so that it will not establish any link between those marks.

49 Furthermore, even if the relevant section of the public as regards the goods or services for which the conflicting marks are registered is the same or overlaps to some extent, those goods or services may be so dissimilar that the later mark is unlikely to bring the earlier mark to the mind of the relevant public.

50 Accordingly, the nature of the goods or services for which the conflicting marks are registered must be taken into consideration for the purposes of assessing whether there is a link between those marks.

51 It must also be pointed out that certain marks may have acquired such a reputation that it goes beyond the relevant public as regards the goods or services for which those marks were registered.

52 In such a case, it is possible that the relevant section of the public as regards the goods or services for which the later mark is registered will make a connection between the conflicting marks, even though that public is wholly distinct from the relevant section of the public as regards goods or services for which the earlier mark was registered.

53 For the purposes of assessing where there is a link between the conflicting marks, it may therefore be necessary to take into account the strength of the earlier mark's reputation in order to determine whether that reputation extends beyond the public targeted by that mark.

54 Likewise, the stronger the distinctive character of the earlier mark, whether inherent or acquired through the use which has been made of it, the more likely it is that, confronted with a later identical or similar mark, the relevant public will call that earlier mark to mind.

55 Accordingly, for the purposes of assessing whether there is a link between the conflicting marks, the degree of the earlier mark's distinctive character must be taken into consideration.

56 In that regard, in so far as the ability of a trade mark to identify the goods or services for which it is registered and used as coming from the proprietor of that mark and, therefore, its distinctive character are all the stronger if that mark is unique – that is to say, as regards a word mark such as INTEL, if the word of which it consists has not been used by anyone for any goods or services other than by the proprietor of the mark for the goods and services it markets – it must be ascertained whether the earlier mark is unique or essentially unique.

57 Finally, a link between the conflicting marks is necessarily established when there is a likelihood of confusion, that is to say, when the relevant public believes or might believe that the goods or services marketed under the earlier mark and those marketed under the later mark come from the same undertaking or from economically-linked undertakings (see to that effect, inter alia, Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819, paragraph 17, and Case C-533/06 *O2 Holdings and O2 (UK)* [2008] ECR I-0000, paragraph 59).

58 However, as is apparent from paragraphs 27 to 31 of the judgment in *Adidas-Salomon and Adidas Benelux*, implementation of the protection introduced by Article 4(4)(a) of the Directive does not require the existence of a likelihood of confusion.

59 The national court asks, in particular, whether the circumstances set out in points (a) to (d) of Question 1 referred for a preliminary ruling are sufficient to establish a link between the conflicting marks.

60 As regards the circumstance referred to in point (d) of that question, the fact that, for the average consumer, who is reasonably well informed and reasonably observant and circumspect, the later mark would call the earlier mark to mind is tantamount to the existence of such a link.

61 As regards the circumstances referred to in paragraphs (a) to (c) of that question, as is apparent from paragraph 41 to 58 of this judgment, they do not necessarily imply the existence of a link between the conflicting marks, but they do not exclude one either. It is for the national court to base its analysis on all the facts of the case in the main proceedings.

62 The answer to point (i) of Question 1 and to Question 2 must therefore be that Article 4(4)(a) of the Directive must be interpreted as meaning that whether there is a link, within the meaning of *Adidas-Salomon and Adidas Benelux*, between the earlier mark with a reputation and the later mark must be assessed globally, taking into account all factors relevant to the circumstances of the case.

63 The fact that for the average consumer, who is reasonably well informed and reasonably observant and circumspect, the later mark calls the earlier mark with a reputation to mind is tantamount to the existence of such a link, within the meaning of *Adidas-Salomon and Adidas Benelux*, between the conflicting marks.

64 The fact that:

- the earlier mark has a huge reputation for certain specific types of goods or services, and
- those goods or services and the goods or services for which the later mark is registered are dissimilar or dissimilar to a substantial degree, and
- the earlier mark is unique in respect of any goods or services,

does not necessarily imply that there is a link, within the meaning of *Adidas-Salomon and Adidas Benelux*, between the conflicting marks.”

41. Chanel has brought the section 5(3) ground chiefly for the purpose of opposing the class 27 goods, but also pleads section 5(3) against the goods of the application in classes 25 and 26. As I have found that there is a likelihood of confusion in relation to classes 25 and 26, it naturally follows that there would be a link made in respect of the goods of the application in classes 25 and 26. Even without relying on an earlier mark for buttons, I also consider that the public would make a link between Chanel’s mark for clothing and Carat’s mark for buttons which are used on clothing.

42. One of the factors to be assessed is the level of similarity, or dissimilarity, between the respective goods. Carpets and rugs are clearly not similar to the goods for which Chanel’s mark has a reputation (in these proceedings, clothing and bags). Both parties’ goods are aimed at the same relevant public: the general public. The public targeted by each of the two marks may well be confronted with the other mark. As already stated, Chanel’s mark has acquired a very strong reputation, particularly for luxury and high fashion. Strength of reputation is one of the factors to be assessed in relation to the existence of a link. Chanel’s mark is highly distinctive through the use made of it; the more distinctive a mark, the more likely it will be called to mind. I consider that the fame and high level of distinctiveness of Chanel’s mark will be called to mind even upon carpets and rugs, which can also be expensive, luxury items (e.g. Persian and Chinese silk carpets and rugs). A link will be made with Chanel’s mark when Carat’s mark is encountered on carpets and rugs. The presence of CARAT 24, with connotations of luxury (as in pure gold) only increases the likelihood of a link being made; it does not reduce it. I will go on to look at the third condition, which is whether damage will be caused.

Unfair advantage of the distinctive character or the repute of the earlier trade mark

43. The question is whether Carat will have an unfair advantage in using its mark because there will be an increased chance that the public will buy Carat’s goods because of the link made with Chanel’s mark.

44. There is some debate as to whether the judgment of the CJEU in *L’Oreal v Bellure* means that an advantage gained by the user of a junior mark is only unfair if there is an intention to take advantage of the senior mark, or some other factor is present which makes the advantage unfair. The English Court of Appeal has considered this matter three times. Firstly, in *L’Oreal v Bellure* [2010] RPC 23 when

that case returned to the national court for determination. Secondly, in *Whirlpool v Kenwood* [2010] RPC 2: see paragraph 136. Thirdly, in *Specsavers v Asda Stores Limited*¹ [2012] EWCA Civ 24: see paragraph 127. On each occasion the court appears to have interpreted *L’Oreal v Bellure* as meaning that unfair advantage requires something more than an advantage gained without due cause. However, the absence of due cause appears to be closely linked to the existence of unfair advantage. See paragraph 36 of the opinion of Advocate General Kokott in Case C-65/12 *Leidseplein Beheer and Vries v Red Bull*.

45. In *Jack Wills Limited v House of Fraser (Stores) Limited* [2014] EWHC 110 (Ch) Arnold J. considered the earlier case law and concluded that:

“80. The arguments in the present case give rise to two questions with regard to taking unfair advantage. The first concerns the relevance of the defendant's intention. It is clear both from the wording of Article 5(2) of the Directive and Article 9(1)(c) of the Regulation and from the case law of the Court of Justice interpreting these provisions that this aspect of the legislation is directed at a particular form of unfair competition. It is also clear from the case law both of the Court of Justice and of the Court of Appeal that the defendant's conduct is most likely to be regarded as unfair where he intends to benefit from the reputation and goodwill of the trade mark. In my judgment, however, there is nothing in the case law to preclude the court from concluding in an appropriate case that the use of a sign the objective effect of which is to enable the defendant to benefit from the reputation and goodwill of the trade mark amounts to unfair advantage even if it is not proved that the defendant subjectively intended to exploit that reputation and goodwill.”

46. In my view, the strength of reputation, the high level of distinctiveness of the earlier mark, and the strength of the link made means that the effect of use of Carat's mark will be to gain a marketing advantage. This is because Carat's mark will call to mind Chanel's mark and will therefore appear instantly familiar to the public concerned, thereby making it easier for Carat to establish its mark and to sell its goods without the usual marketing expenditure. I find this in relation to the identical goods in classes 25 and 26, but also that Chanel's reputation for clothing will make it easier for Carat to sell its buttons. I also find that Carat would gain an advantage in selling its carpets and rugs because the link made with Chanel's mark would immediately transfer to Carat's carpets and rugs the image of luxury, high fashion and general desirability of a brand which is famed for possessing an exceptional cachet.

47. Carat has filed no evidence. Mr Oguz's statement consists entirely of submissions. It contains no facts regarding whether Carat has used its mark or facts showing reasons for its choice of its mark. There is no suggestion that Carat has 'due cause' to use the mark for which it has applied. **I find that use of Carat's trade mark would take unfair advantage of the distinctive character and repute of Chanel's mark.**

48. Chanel only needs to establish success under one of the three types of damage to which I referred earlier; as it has also succeeded under section 5(2)(b) for classes

25 and 26, for the sake of procedural economy, I do not propose to look at the other two possible heads of damage under section 5(3) of the Act.

Outcome

49. The opposition succeeds under sections 5(2)(b) and 5(3) of the Act. The application is refused.

Costs

50. Chanel has been successful and is entitled to a contribution toward the cost of the proceedings. The registrar normally awards costs from the published scale, as set out in Tribunal Practice Notice 4/2007 and Ms Broughton was content that the scale should apply. I assess the cost award as follows:

Opposition fee	£200
Preparing a statement and considering the counterstatement	£300
Filing evidence	£900
Attendance at hearing	£400
Total	£1800

51. I order Carat 24 Limited to pay Chanel Limited the sum of £1800 which, in the absence of an appeal, should be paid within seven days of the expiry of the appeal period.

Dated this 1st day of December 2014

**Judi Pike
For the Registrar,
the Comptroller-General**