

O-531-14

**IN THE MATTER OF THE TRADE MARKS ACT 1994**

**-and-**

**IN THE MATTER OF APPLICATIONS Nos. 2570180 and 2587219**

**in the name of TESCO STORES LIMITED**

**TO REGISTER THE MARKS**

**CLUBCARD**

**and**

**CLUBCARD**

**in classes 9, 16, 35 and 36**

**APPEAL TO THE APPOINTED PERSON FROM THE DECISION OF THE  
HEARING OFFICER MS LINDA SMITH, ACTING ON BEHALF OF THE  
REGISTRAR OF TRADE MARKS DATED 16 DECEMBER 2013**

**DECISION**

Introduction

1. This is an appeal by the Applicant, Tesco Stores Limited, against the decision of the Hearing Officer, Ms Linda Smith, partially to refuse registration of the word mark CLUBCARD and the CLUBCARD device mark (as shown in the title of this Decision).
2. The applications had been made in relation to a huge variety of goods and services in classes 9, 16, 35, 36, 39, 41 and 43. They were accepted by the Registry in relation to a large number of these including, for example, educational software applications in class 9 and travel agency services in

class 43. However, they were refused under s3(1)(b) of the Trade Marks Act 1994 as being devoid of distinctive character in relation to a number of goods and services in classes 9 and 16 and a large variety of services in classes 35 and 36.

3. The goods and services in relation to which registration was refused were those which were considered by the Hearing Officer to cover or be closely related to 'loyalty schemes' by which retailers provide rewards to their customers. Appearing for the Applicant before me, Mr Stobbs helpfully accepted that I could proceed to decide this case on the basis that the application was for '*goods and services relating to loyalty schemes*' without considering each individual good or service in respect of which the application was made. He made one exception to this, namely '*credit cards*' in class 9 and '*credit cards (other than encoded or magnetic)*' in class 16, maintaining that these were in a different category from the other goods and services. On behalf of the Registry, Mr Abraham was prepared to accept this and to consent to the appeal being allowed in relation to those categories of goods.
4. It is therefore not necessary for me to set out in this Decision all the goods and services at issue. I shall consider the case as if the application was for 'goods and services relating to loyalty schemes'.
5. There are two issues before me in respect of each mark. The first is whether the mark is inherently devoid of distinctive character so as to fall within the exception to registrability set out in s3(1)(b) of the Trade Marks Act 1994. The second is whether, if that is so, the mark has acquired distinctive character as a result of the use made of it so as to be nonetheless registrable under the proviso to s3(1).

Inherently 'devoid of any distinctive character' under s3(1)(b)

6. The Applicant did not dispute that the Hearing Officer had correctly characterised the law in relation to the test for distinctive character. She had cited the decision of the General Court in Sykes Enterprises v. OHIM T-130/01 (Real People Real Solutions):

*'a sign which fulfills functions other than that of a trade mark is only distinctive for the purposes of Article 7(1)(b) of Regulation No. 40/94 if it may be perceived immediately as an indication of the commercial origin of the goods or services in question, so as to enable the relevant public to distinguish, without any possibility of confusion, the goods or services of the owner of the mark from those of a different commercial origin.'*

7. Applying that test in relation to the word CLUBCARD the Hearing Officer stated as follows:

*'When assessing a mark's distinctiveness, it is necessary to consider the perception of that mark by the average consumer – who I have identified [above] as being the public at large. The mark consists of the words 'club' and 'card' conjoined. The dictionary-defined meanings of the word 'club' include 'a group or association of people with common aims or interests, eg a wine club' and '(mainly British) an organization, esp in a shop, set up as a means of saving'. Definitions of the word 'card' meanwhile include 'such a card used for identification, reference, proof of membership etc. eg library card, identity card, visiting card.' (all definitions taken from Collins English Dictionary). It is therefore reasonable to assume that the average consumer, when seeing the word 'CLUBCARD' in relation to services relating to loyalty schemes, will merely see it as indicating a loyalty club which is operated by means of a card.'*

8. She went on to note that her assumption was supported by the existence of other loyalty schemes which could be found on the internet using the term 'Club Card' (either as two words or a conjoined singled word). She exhibited a number of these in Appendix A to her Decision. They included

the 'Beefeater Grill Reward Club Card' and the 'Bridge Club Card' (Bridge being a shop).

9. In relation to the device mark, the Hearing Officer made the same points in the same terms. She dealt with the argument that the 'device' elements provided the distinctive character lacked by the word elements in the following way:

*'The stylisation to the words CLUBCARD is minimal. I consider it unlikely to even be noticed by the average consumer and is insufficient to add any degree of distinctive character to the mark.'*

10. I shall deal with the case on the word mark first. Mr Stobbs challenged the finding that this mark was inherently 'devoid of distinctive character' on four grounds.

11. Firstly, he said that the Examiner had not raised any objection under s3(1)(c) which includes a bar to the registration of *'trade marks which consist exclusively of signs or indications which may serve in trade to designate the kind...intended purpose...or other characteristics of goods or services.'* He pointed to the decision of the CJEU in SAT.2 [C-329/02] in which it was stated that: *'where a trade mark which does not fall foul of the ground of refusal laid down in Article 7(1)(c) of the Regulation is nonetheless devoid of distinctive character within the meaning of Article 7(1)(b) thereof, the Office must also set out the reasons why it considers that the trade mark is devoid of distinctive character.'* He submitted that if the mark were not in fact descriptive of the kind or purpose of the goods such as to fall within s3(1)(c), then it was hard to see how the Hearing Officer's reasoning under s3(1)(b), which was in effect that it would be regarded by the average consumer as being descriptive, made any sense.

12. I do not consider that this is a good point. Although the Hearing Officer did not actually refuse the mark under s3(1)(c), neither had she accepted

that the mark was not objectionable on that ground. In the circumstances, there was no difficulty in her relying on the descriptiveness of the mark as rendering it devoid of distinctive character under s3(1)(b).

13. Secondly, he suggested that if the mark were truly devoid of distinctive character on the basis given by the Hearing Officer, one would expect to see it being used by Tesco's rival supermarket chains, whereas in fact they do not use the term 'Club Card' (nor in fact the term 'Club' at all). This again is not a good point. Whether or not a mark lacks distinctive character does not depend on whether it is in common use by rival traders. It is self-evident that one could describe a retail loyalty scheme without using the word 'Club' but that does not mean that the word would not be taken as descriptive if it were used in respect of such a scheme. Furthermore, as we shall see, the term Club Card is used and has been used in respect of such schemes by other retailers and traders. Whether it has been used by the large retailers who compete directly with the Applicant is in my view irrelevant.

14. Thirdly, he complained more generally that the evidence of third party use was not probative of the Hearing Officer's conclusion that the words CLUB CARD when used in relation to a loyalty scheme would be understood as indicating a membership card for a loyalty club. He stated as follows (skeleton argument paragraph 10):

*'For [this] third party use to support an objection that the mark is generic or descriptive in some way it would need to show that a wide range of third parties use the term in a generic or descriptive sense.'*

I do not agree with this proposition. A combination of words can carry a descriptive meaning to the average consumer even if they have never seen that particular combination before (see the authorities on neologisms such as BIOMILD – C265/00 in particular at paragraph 38). It is therefore not necessary to demonstrate that the combination is in use

by third parties at all. The reason it is relevant to consider whether third party traders are using the same combination of words to indicate the same goods or services is that it bolsters the argument that the average consumer can be expected to understand the term descriptively.

Otherwise why would the traders be using the term at all? The fact that the usage is not particularly common does not necessarily diminish the probative value of such evidence, because (as here) there may be many other ways of expressing the same concept.

15. Fourthly, Mr Stobbs sought to explain away the third party uses of the term 'club card'. He performed an analysis of those uses by way of a table. In fact, in his analysis he included not only the uses identified by the Hearing Officer, but also a number of other uses of the term by third parties which had been discovered by him or his clients. So far as these extra uses are concerned, they were of course not before the Hearing Officer and therefore strictly should not have formed part of this Appeal. However, for the Registrar Mr Abrahams did not take a point on their admissibility, no doubt considering that they tended to support the Hearing Officer's reasoning.

16. It is not necessary for the purpose of this Decision to set out all the various uses of the term 'Club Card' which the Hearing Officer, Mr Stobbs or his clients have discovered. However, I have to say that the more one examines those uses, the more convinced one becomes that the term is indeed apt to describe a card for claiming benefits under a loyalty scheme. The examples given include the following:

- (a) Wyevale Garden Centres operates a discount scheme for members using a card called 'ClubCard'
- (b) Bridge Motor Cycles operates a loyalty card scheme called the 'Bridge Club Card'
- (c) WH Smiths operated a loyalty scheme until around 2008/9 under the name Clubcard

- (d) Webbs Garden Centres operate a loyalty membership scheme under the name 'clubCARD'
- (e) The Gold Discount Club of Poole, Dorset, operate a 'Gold Discount Clubcard' scheme for obtaining discounts on local services
- (f) Culloden Vets of Inverness operates a discount scheme called a 'Clubcard'
- (g) Odeon Cinemas operates a 'Premiere Club' for discounted tickets and other advantages, membership of which is shown by a 'Premiere Club Card'
- (h) Spring Hotels operates a 'Spring Club' loyalty scheme, membership of which is shown by a 'Spring Club Card'
- (i) Beefeater Grill operates a 'Reward Club' and issues a 'Reward Club Card' to indicate membership
- (j) Ayoush Restaurants operated a discount scheme for members indicated by a card under the name 'Club Card'
- (k) The promotional company Donatello operates a membership scheme under the name 'Club Card'
- (l) A benefit card for various London nightclubs operates under the name 'Circle Clubcard'
- (m) A discount scheme for restaurants and the like for over 50s operated under the name Diamond Club Card
- (n) Mr Unique Tyre and Exhaust Centres in Hertfordshire operate a reward scheme under the name 'Mr Unique Clubcard'

17. Mr Stobbs claimed that each of these examples could be explained by putting them into one of two categories: (i) 'Third party use in a brand sense (in relation to which the Applicant is already in the process of taking action/corresponding with the relevant parties or the use has already ceased/been discontinued)'; or (ii) 'Use of a name which incorporates the words CLUB and CARD but does not show generic use of 'CLUBCARD' – for example where the name of an organisation incorporates the word CLUB such as DIAMOND CLUB.'

18. I do not find this categorisation particularly helpful. So far as I can see, all these instances involve the creation of a membership scheme or 'club' which issues a 'card' for use in claiming benefits. The term 'club card' is obviously appropriate to describe this, and that is the term adopted by the trader operating the scheme. So far as the first category is concerned, Mr Stobbs' claim that particular uses of the term (such as the one by the Inverness Vets) were use 'in a brand sense' was not particularly credible, given the natural meaning of the words. Nor is it relevant that the Applicant has complained about the usage, nor that the user has decided (having received a threat of proceedings) to change the name. As for the second category, I cannot see that it assists the Applicant's argument that the trader also chooses to call his loyalty scheme a 'Club' such as 'Spring Club' or 'Diamond Club'. In my view that simply emphasises that the word 'Club' is an entirely natural way of identifying such a scheme.

19. I consider that the Hearing Officer was right on the question of 'devoid of distinctive character' of the word mark for the reasons she gave. It is correct that an examining body has to be careful when considering the distinctive character of a sign comprising a combination of two descriptive elements. It is quite possible for the sum of the parts to have distinctive character even if the individual parts do not. See SAT.1. Satelliten Fernsehen GmbH v OHIM [2005] ETMR 20 at paragraph 28. However, in the present case, I do not believe that the sign CLUBCARD would enable an average consumer to distinguish the loyalty scheme of one trader from that of another.

20. I turn to the decision on inherent lack of distinctive character in relation to the device application 2587219. As can be seen, the stylisation of the mark essentially comprises of the presentation of the word in capitals in what appears to be a fairly standard font, in blue, with the cross bar of the 'A' picked out in red. Mr Stobbs contended that this application should have been allowed even if the word application failed. His argument was that the Hearing Officer '*does not appear to have looked at or taken into*

*account the stylisation of the mark at all.* I do not consider that this is correct. I have quoted the Hearing Officer's finding as to the lack of significance of the stylisation to the average consumer in paragraph 9 above. That seems to me to be a finding that she was entitled to come to and cannot be criticised as a matter of principle. Having made that finding, it followed that the conclusion she reached on the word mark under s3(1)(b) must apply to the device mark as well. There was no need for her to consider it further.

### Acquired distinctive character

21. The Applicant contends even if its marks are inherently devoid of distinctive character, they had, before the date of application, acquired distinctive character as a result of the use made of them, so that they are registrable under the proviso to s3(1).
22. The Hearing Officer set out the relevant law in this respect in paragraphs 25-27 of her Decision, in particular by reference to the decision of the ECJ in Windsurfing Chiemsee C 109/97. There was no dispute about her characterisation of the legal test.
23. The Applicant filed evidence in the form of a single witness statement of Emma Shearing, an intellectual property consultant working for the Applicant, giving details of the total Tesco group turnover, some evidence about the creation, history and use of the CLUBCARD loyalty scheme at Tesco, and the number of active members. The headline figures are that the scheme has been in use since 1995 and there were around 15.6 million members in 2010. Ms Shearing also exhibited a number of examples of the use of the term CLUBCARD by the Applicant including the application form for the scheme, leaflets about it, copies of CLUBCARD statements and in-house magazines distributed to customers which publicise the scheme.

24. The Hearing Officer was not persuaded that this evidence established that the sign CLUBCARD had become distinctive in the mind of the average consumer of a loyalty scheme provided by the Applicant, such that they would be able to rely on the sign as distinguishing the Applicant's loyalty scheme from those of third parties. She noted from the observations of Morritt LJ in Bach Flower Remedies [2000] RPC 513 that mere extensive use of a sign does not prove distinctiveness. It has to be used in a distinctive sense. From the evidence presented to her she noted in particular that the sign was always used in conjunction with the distinctive mark TESCO. It was the mark TESCO which was acting on the mind of the consumer as the primary badge of origin, with the secondary sign CLUBCARD merely acting as a descriptor.
25. She also noted Jacob J's quotation in British Sugar Plc v James Robertson [1996] RPC 281 from the speech of Lord Russell in Shredded Wheat that *'A word or words to be really distinctive of a person's goods must generally speaking be incapable of application to the goods of anyone else.'* Here she noted that the term CLUBCARD was in fact in use by other traders and therefore was capable of application to their goods.
26. Finally she noted the judgment of the CJEU in Have a Break C-353/03 that: *'In order to prove that distinctive character has been acquired through use as an element of a composite mark the relevant consumer groups must be shown to understand that the element in question, if used separately, designates a product originating from a specific undertaking, thus distinguishing it from products of other undertakings.'* She considered that the applicant had not done enough to show that the use of the sign CLUBCARD alone would designate only those loyalty schemes provided by Tesco. There was no advertising of the term CLUBCARD alone and there was no evidence that the mark had been promoted to non-Tesco customers. Furthermore there was no actual evidence, whether from surveys or otherwise, as to the understanding of the average consumer.

27. The Applicant's primary complaint about these findings was that the Hearing Officer was wrong to consider that Tesco was using CLUBCARD simply in a descriptive sense of a card-based loyalty scheme. The Applicant pointed out that the materials exhibited to Ms Shearing's statement showed that the sign was sometimes used on its own (ie not in the composite sign 'TESCO CLUBCARD'). The way in which the sign was presented in these materials and on the card itself, including by means of a specific logo, made it quite clear that it was intended to indicate Tesco's loyalty scheme, and was not simply being used as a descriptive term.
28. There is something in this point. The evidence certainly suggests that Tesco use the sign in its literature sent out to customers and in-store as a way of indicating their own loyalty scheme, not simply a generic loyalty scheme. The public would no doubt understand that. However, that is not sufficient to get the Applicant home on acquired distinctive character. It is important to have in mind that the only circumstances in which the sign was shown to be used were intimately connected both with the Tesco mark and with the Tesco shopping experience.
29. When judging whether a secondary sign like this has become distinctive, consideration needs to be given to the circumstances of its use. I have little doubt that if an average consumer goes into his local Tesco store and is asked for whether he has a 'CLUBCARD' he (or she) would immediately understand that he is being asked for the card issued by the Applicant. Similarly if he sees CLUBCARD-related materials in the store, he would understand that they related to Tesco's loyalty scheme. However, his understanding is driven not only by the sign but by the context in which he is encountering the use of the sign. For a mark to be distinctive of an Applicant, it must in my view be shown that a significant proportion of consumers would understand it as indicating the services of the Applicant when used in any normal and fair context. The specification in this case covers all loyalty schemes. So the question here in my view is whether an average consumer, asked whether he had a 'CLUBCARD' in (say) his local

steak restaurant, tyre fitters or hotel chain would understand that he was being asked for the Applicant's card.

30. I do not believe that this has remotely been established by the evidence.

On the contrary, it is probably a reasonable assumption that, if on a visit to the premises of a Beefeater steak restaurant, a loyal customer was asked 'have you got a CLUBCARD', he would believe he was being asked for his 'Beefeater Reward Club Card'. Regular customers of Mr Unique tyre fitters, similarly asked, would produce their 'Mr Unique Clubcard' and frequent visitors to Spring Hotels would look for their 'Spring Club Card'. There is certainly no evidence that the use by these businesses of the term CLUBCARD has caused any confusion with the Applicant's card.

31. Given the inherent descriptiveness of the term, it is equally reason to assume that if one asked the same question of customers visiting these businesses who did not have a loyalty card, they would still assume that they were being asked for the loyalty card of (respectively) Beefeater, Mr Unique and Spring Hotels. This would be the case whether or not they were aware of the actual name of the card used by the business and whether or not they had heard of the Applicant's loyalty scheme. It would require compelling evidence to convince me that they would in fact assume that they were being asked for the Applicant's loyalty card when they were nowhere near Tesco and there was nothing to indicate any connection with Tesco. Such evidence has not been provided. Mere evidence of substantial use does not address this fundamental difficulty.

32. In all the circumstances, I therefore consider that the Hearing Officer was correct to refuse registration of the mark in respect of the loyalty scheme goods and services.

33. Mr Stobbs finally challenged the Hearing Officer's rejection of the case of acquired distinctiveness in relation to the device application 2587219, once again alleging that the Hearing Officer had not actually considered

the validity of this application as a separate matter. In my judgment, for the same reasons I gave in paragraph 20 above in relation to the inherent distinctiveness case, this is not a valid criticism.

### Conclusion

34. I therefore uphold the decision of the Hearing Officer, save in relation to the categories of 'credit cards' and 'credit cards (other than encoded or magnetic)' in classes 9 and 16, which Mr Abrahams on behalf of the Comptroller has agreed should be allowed. I do not propose to make an Order unless either the Applicant or the Registry requests me to do so.

**IAIN PURVIS QC**  
**THE APPOINTED PERSON**  
**2 DECEMBER 2014**