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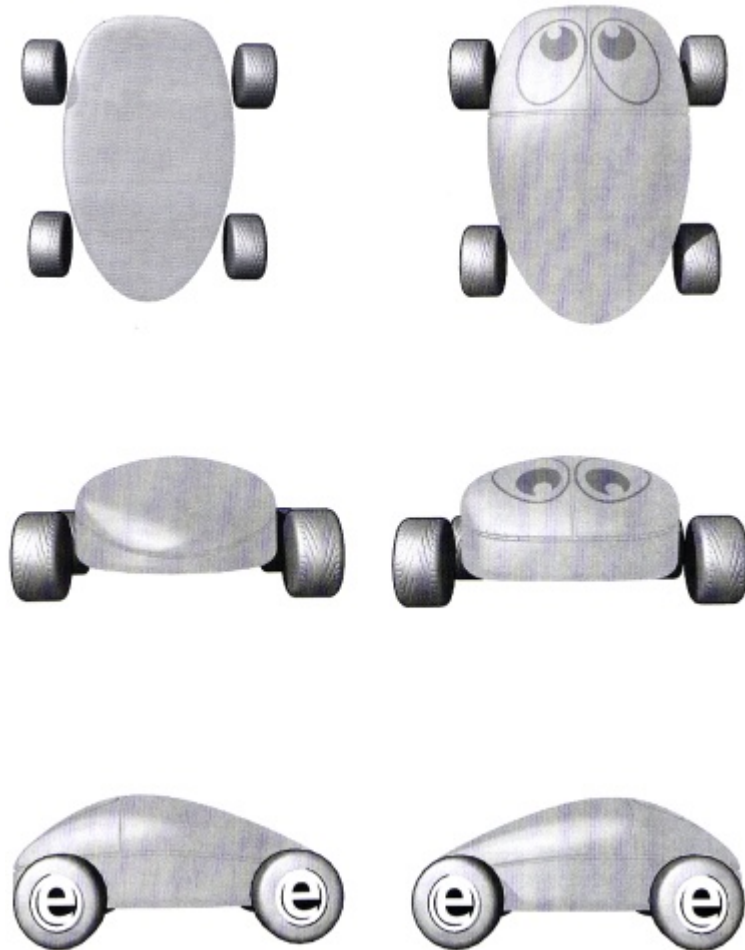
TRADE MARK APPLICATION No 2372783
BY ESURE INSURANCE LIMITED
FOR THE REGISTRATION AS A TRADE MARK OF
THE SHAPE AND APPEARANCE OF A COMPUTER MOUSE ON WHEELS

AND

OPPOSITION No 93135 BY DIRECT LINE INSURANCE PLC
BASED ON EARLIER TRADE MARKS CONSISTING OF
A TELEPHONE ON WHEELS

THE MATTER IN DISPUTE

1. On the 10 September 2004, esure Insurance Limited (esure) applied to register the following three dimensional shape as a trade mark in Class 36.



2. The services for which registration is sought are “Insurance, financial and monetary services: provision of information, advice and consultancy relating to insurance, financial or monetary services.”

3. The application was accepted and published for opposition purposes. On 26 January 2005, Direct Line Insurance plc (DL) filed notice of opposition to the proposed registration. The grounds of opposition are, in summary, that registration of the mark would be contrary to:

- i) Section 5(2)(b) of the Trade Marks Act 1994, because it is similar to four earlier national trade marks (numbers 2000821, 2312455, 1560777 and 1395058), and two earlier Community trade marks (numbers 54841 and 1616259) belonging to the opponent and is proposed to be registered for identical or similar services with the result that there exists a likelihood of confusion on the part of the public, including the likelihood of association;

- ii) Section 5(3) of the Act, because the applicant's mark is likely to take unfair advantage of, and/or cause detriment to the distinctive character and repute of the earlier marks;
- iii) Section 5(4)(a) of the Act, because the opponent's earlier marks have been used since the 1980s and have acquired goodwill and reputation such that use of the applicant's mark would amount to passing off.

4. DL's earlier trade marks consist of five two dimensional representations of a telephone on wheels, two of which are registered in the colour red. The sixth, registration number 2000821, is a three dimensional shape of a telephone on wheels. It is re-produced below.



5. The application form and the register include the following description of the mark:

“The mark is shown on the application form in the colours red, black and white but the mark is not limited to colour. The mark consists of a three dimensional shape.”

6. At the time of registration this was a usual way of indicating that the mark was registered in colour but that the proprietor's rights were not limited to those colours under s.13 of the Act. The colour red is applied to the body of phone, the colour black

to the wheels, and the colour white to the buttons on the key pad. The mark is registered with effect from 31 October 1994 in respect of “insurance services, financial services and credit card services”.

7. The Community trade marks, consisting of two dimensional representations of the same device, are registered in the same colours as the mark shown above. In *Philips Electronics NV v Remington Consumer Products Ltd*, [1999] RPC 809, it was accepted that there is little distinction between a three dimensional shape mark and a mark consisting of a two dimensional representation of the three dimensional object. I do not therefore think that much turns on the distinction between the two dimensional marks and the three dimensional one. However, if the opponent cannot succeed on the basis of the three dimensional mark re-produced above it will not, in my judgment, succeed on the basis of any of its other marks. In practice therefore, the objections under s. 5(2) and s.5(3) of the Act can be determined on the basis of earlier UK trade mark No 2000821.

8. The applicant denies the grounds of opposition on the basis that the respective marks are not similar and there is no likelihood of confusion or association with the opponent’s marks. Further, esure claims that as both parties sell motor insurance under the marks, the reason for the use of wheels is self evident and immediately apparent to consumers, who will not therefore link the marks simply because of this common element.

9. The applicant initially claimed that the reputation of DL’s earlier mark was limited to a red telephone “with the handset cable flying from the right hand end of the handset and moving with élan”, but my understanding is that esure now (rightly) accepts that the reputation of DL’s mark is not as limited as this. The applicant accepts that the opponent’s red telephone on wheels is very well known to consumers of insurance. I have taken this into account in deciding how much of DL’s evidence needs to be included in the summary which follows.

BACKGROUND AND PRIMARY FACTS

The Written Evidence

10. The parties (particularly DL) filed a considerable volume of written evidence. A listing of the written evidence is attached as annex A.

11. The following summary is drawn primarily from the evidence of Messrs Ross and Moat of DL, and the evidence of Messrs Graham, Bowden and Longden of esure.

12. In 1985, Mr Peter Wood founded and became Chairman of DL. Up until then insurance had been traditionally purchased through brokers. DL introduced the practice of direct selling of insurance in the UK, which has since become the norm.

13. The red telephone on wheels was first introduced in 1990 when it was used extensively by DL as a brand in TV advertisements. The mark has remained substantially the same to this day. In television advertisements it moves at speed, which is intended to signify DL’s speed of response to its customers. The colour red is intended to continue this theme of responsiveness by using the colour of a rescue

service. Extensive TV advertising has continued since 1990. Ratings figures show that DL's advertisements (all of which feature the red phone on wheels) were viewed more than 1.5 billion times by the UK public in 2004.

14. DL's early sales pitch was summed up in a TV advertisement that was run in 1993 and 1994 in which the red telephone on wheels sprouted a circular saw and cut a hole around an insurance broker so that he fell through the floor. The accompanying voiceover stated "...so, why not let Direct Line cut out the middle man? And you might just find that our quote is the cheapest of the lot."

15. Two dimensional representations of the mark have also been used extensively in national newspaper advertisements and telephone directories, and on posters, brochures and other printed materials, including on DL's policy schedules, insurance certificates, letters and envelopes. The mark was also used prior to the date of application to signify DL's sponsorship of various films and TV programmes, mainly between 2000 and 2004.

16. The mark was originally used in relation to the sale of motor and home insurance, but the mark was subsequently used in respect of other financial services. By 1996 it was being used in respect of life, travel and pet insurance and also loan, mortgage, and savings services. By 1999 the use had expanded to cover pensions, breakdown cover and credit card services. In 2000 the mark was also being used by another company in the Royal Bank of Scotland Group (of which DL forms a part) by the name of Jamjarcars, which is an on-line car retailer. In 2002 the list of services provided under the mark extended again to include home emergency services.

17. By 1994, DL had acquired 2.4 million policy holders in the UK. By 1999 that number had risen to over 3.5 million. That same year DL introduced a website under the name 'directline.com' from which it offered to sell its financial services. The existence of the website subsequently featured in DL's advertising. It started to use the red telephone on wheels followed by the word element '.com' in order to illustrate its on-line presence. By 2001, 45% of DL's motor insurance quotes were provided on-line. By September 2004, this had increased to 66%.

18. By that time there were over 5.6 million holders of DL's motor and home insurance policies. DL was the market leader for motor insurance in the UK with 11.8% of the market. It was also among the top five providers of home insurance policies with over 4% of the UK market.

19. Peter Wood had earlier left DL in 1997. In 1999 he and another ex-employee of DL, a Mr Peter John Graham, decided to establish a new direct insurance provider in the UK. The key proposition of the new provider was that it would be an internet insurer. The thinking was that this would reduce overheads. This and a plan to restrict sales to lower risk customers, was expected to permit lower premiums than esure's competitors, thus picking up customers.

20. Mr Wood came up with the name 'esure' in 1999. A company, which later became esure, was incorporated late in that year. Around the same time, the domain name esure.com was registered. Mr Wood subsequently arranged a joint venture with the Halifax (which later became HBOS plc) which provided the necessary funding for

esure. Through its holding company, esure Holdings Ltd, esure became a member of the HBOS group.

21. The operation of Halifax Car Insurance was subsequently taken over by esure. Motor insurance policies bearing the esure mark were first offered for sale in the UK via a call centre in July 2001. At the same time they were offered for sale through the a website branded as Halifax Car Insurance. A website under the name of esure was launched later, in December 2001.

22. Prior to that, in September 2001, esure started to offer home insurance services. Initially this insurance was only available from a call centre. Later, in March 2002, it became available via esure's website. Later again, travel insurance was also offered. By September 2004 esure had over 600,000 policy holders in the UK. Initially the bulk of sales occurred through telephone selling. However, by September 2004 nearly half of esure's motor insurance quotes were being provided on-line.

23. In 2001 esure adopted a logo mark consisting of a device of a blue man sitting in an orange bubble. This was supposed to convey how easy it was to insure with esure. The advertising at this time emphasised that esure was cheaper than its competitors because it did not insure high risk drivers.

24. The blue man branding was not considered to be memorable enough. Consequently, in 2002, esure decided to make a series of advertisements featuring Michael Winner. The first such advertisement featured in a television advertisement in October 2002. The advertisements continued to run through 2003. These advertisements continued to emphasise that esure was cheaper because of its discerning approach to those that it insured. However, the advertisements included a web address (as well as a telephone number) and later a 10% discount was offered for on-line sales.

25. The Michael Winner advertisements were successful in raising the public's awareness of esure. According to figures provided by GFK NOP's FRS survey, prompted awareness of esure increased from 17.5% in September 2002 to around 47% by September 2004. However, the number of quotes supplied by esure was not meeting its targets. Accordingly at a meeting in June 2004 attended by Mr Graham, Mr Wood, and a Mr Christopher Bowden, the Head of Marketing at esure, it was decided to develop an advertisement with greater emphasis on the internet channel.

26. A marketing brief was agreed on 1 July 2004 and sent to two advertising agencies, and to esure's own marketing section. The objective was described in the brief as being to increase awareness of esure as a provider of motor and home insurance, to re-affirm esure's position as an on-line insurer, and to encourage direct responses primarily through the internet.

27. The ideas from the advertising agencies did not meet with approval from esure's management. And so the three officers mentioned above came up with their own idea for these new advertisements, which was "cut out the phone and go online". The bare bones of the advertisement was agreed, which was to include a computer mouse physically cutting out a phone. A ten second advertisement was subsequently prepared and shown on TV in August 2004. The advertisement featured a computer

mouse given the name 'Bob', which cut around a phone so that it fell through the resulting hole. One of the phones used in these advertisements was red. This resulted in DL starting trade mark infringement proceedings in the High Court at the end of August 2004. These proceedings were formally settled in December of that year.

28. Two other things happened in August 2004. Firstly, DL decided to look at ways of modernising its branding so that whilst retaining the "heritage" of its existing branding, it drove customers to both channels of directly communicating with DL; telephone and internet. Secondly, esure started work on a longer 30 second version of its "cut out the phone and go online" advertisement. It was decided that in the longer advertisement, after the telephone had fallen through the hole made by the mouse, the mouse would sprout wheels whilst a voiceover would state that "unlike some other large insurers esure provides you with a free courtesy car to keep you on the move".

29. After becoming aware of DL's application for an interim injunction as a result of the broadcast of its 10 second advert, esure decided to change the appearance of the wheels on its computer mouse in order to make them less similar to those used on the DL wheeled telephone, and to insert a letter 'e' in the wheels of the mouse.

30. The 30 second advertisements were first shown on television on 18 September 2004, eight days after the filing of esure's application to register the mouse on wheels as a trade mark. The advertisements resulted in further hostile exchanges between the parties, but DL made no express claim at that stage that the use of esure's mouse on wheels infringed DL's telephone on wheels trade mark. The 30 second advertisement featuring esure's mouse on wheels was the subject of a "medium weight" television advertising campaign that lasted until mid-March 2005. The esure mouse on wheels was also featured in other advertising in late 2004/2005, including a poster campaign on the London Underground and in advertisements for car insurance in magazines, such as What Car, Autocar and BBC Top Gear.

31. An advertising agency called CHI secured the account to modernise DL's branding and subsequently came up with various ideas around modernising the red telephone on wheels mark and introducing a 'friend' for the phone on wheels in the form of a computer mouse. The latter idea was adopted and it was decided that DL's computer mouse should share the colour of the telephone mark and also have wheels. It also shared the 'chunky' styling of the telephone mark. The vehicular theme was carried further in that DL's mark featured a fifth vehicle wheel in place of the scroll wheel on a conventional computer mouse. On 9 May 2005, DL began an extensive advertising campaign featuring the red telephone on wheels trade mark and its 'friend' the red computer mouse on wheels. This started off with television advertisements and was followed on 6 June 2005 by an extensive poster campaign.

DL's Evidence of the Uniqueness of the Telephone on Wheels mark in the Market, of a Brand Expert, and Survey Evidence

32. Mr Nicholas Peter Plested is a commercial investigator employed by Farncombe International Limited. He gives evidence on behalf of DL as to the use made in the automotive, travel and home insurance market of logos and devices featuring objects on wheels. It is sufficient to record that the results of these enquiries led Mr Plested to report that DL was the only company using a non-vehicular wheeled device or logo in

connection with the provision of these services as at the date of esure's trade mark application.

33. Mr Thomas Richard Blackett is the Group Deputy Charirman of Interbrand Group Limited, which is an international branding consultancy with 35 offices in 22 countries. Mr Blackett has extensive experience as a branding consultant, including several assignments for prominent businesses in the British financial and insurance sector. He has written extensively on the subject of branding and trade marks, and is regularly asked to speak about branding at conferences and seminars. Mr Blackett was asked by DL to provide expert evidence about:

- a) the importance of brands, both in general and in the insurance sector;
- b) the brands at issue in this case;
- c) whether the use of the esure mouse on wheels would affect the DL telephone on wheels trade mark and result in:
 - confusion or association
 - unfair advantage
 - detriment and damage
 - restriction of advertising strategy.

34. Mr Blackett provided a witness statement dated 23 July 2005 covering his expert opinion on these matters. He later provided a second witness statement and was cross examined on his written evidence at the substantive hearing of the matter. I return to this below. It is sufficient at this point to record the key points of Mr Blackett's written evidence. These are that (in his opinion):

- a) brands are important in the insurance sector because consumers buy on trust relying upon a company's reputation – encapsulated in its brand – for reassurance that their insurer will stand by them should the need arise;
- b) insurance companies brands were traditionally staid and conservative, but DL broke the mould with its striking and original telephone on wheels trade mark, which has become well known and iconic;
- c) it is the unusual juxtaposition of a telephone and wheels which makes the mark so distinctive – but the colour red is also a very distinctive feature;
- d) DL's telephone on wheels mark does more than simply convey information to consumers about the channel through which DL can be contacted;
- e) there is a likelihood that because of the similarities between the esure mouse on wheels and the DL telephone of wheels, a significant number of the public would think that the esure mouse of wheels device was somehow connected with DL;
- f) even if there is no such confusion, there is a likelihood of association;

g) the adoption by esure of a computer mouse on wheels, being another desk top object, takes unfair advantage of the distinctive character of DL's telephone on wheels mark by trading off and exploiting to esure's benefit the reputation that DL has established in its mark;

h) the use of esure's computer mouse on wheels would be detrimental to DL's telephone on wheels mark by suggesting that esure offers similar benefits and blurring DL's mark's unique identity in the insurance market;

i) if DL's telephone on wheels mark is required to 'share' distinctive features (wheels and/or colour) with esure's mouse, the distinctive character of DL's mark will be reduced, and it would not be wise for DL to continue to promote its mark because it could not be confident that money spent promoting its telephone on wheels mark would not also benefit esure.

35. Louise Joanne Berg and Rebecca Melling are solicitors employed by Richards Butler, who act for DL. They give evidence about two mini surveys which they conducted in Greenwich and Kingston-Upon-Thames on 18 June 2005. The witnesses say that they succeeded in interviewing 50 people (out of about 85 that they approached).

36. Ms Melling showed 25 respondents a two dimensional representation of the esure computer mouse on wheels in esure's colours orange and blue, and asked 1) what they thought of it as a new logo for insurance services, and 2) whether they would expect it to be the logo of any particular insurance company. Six respondents answered 'Direct Line' in response to the second question and two more mentioned DL in response to the first question.

37. Ms Berg showed 25 respondents a two dimensional representation of the DL computer mouse of wheels in the colour red, which was being advertised alongside the telephone on wheels mark at this time. She asked her respondents the same questions as Ms Melling. Seventeen respondents thought that the mouse on wheels was a logo of DL.

38. Following these 'mini surveys' DL decided to commission a full scale public survey. Mr John William Mumford is the Managing Director of JMA Marketing and Research Limited (JMA) and is a member of the Market Research Society. His expert report explains that four groups of between 500 and 578 people were shown one of four representations of a computer mouse on wheels in face-to-face interviews which took place in 40 towns and locations in the UK between 6-13 July 2005.

39. One of these groups was shown the DL mouse on wheels (the 'friend' of the telephone on wheels) in the colour red as it was by then being used by DL in advertising. A second group was shown a different red computer mouse on wheels which was similar (but not identical) to the computer mouse on wheels which had been used in advertising (but in an orange and blue livery) by esure. This version of the red mouse included a letter 'e' in the centre of the wheels. A similar computer mouse was shown to the other two groups in the survey, except that the first of these

groups was shown a black and white representation of the mouse, and the second group was shown the mouse in esure's colours of orange and blue.

40. The respondents were asked the same questions irrespective of the group that they were in. The primary questions were:

“could you look at this and tell me what you think of it as a new logo for insurance services?” and,

“Would you expect it to be the logo of any particular insurance company?” and, if “yes”, “Which company would you expect to use this logo?”

41. The responses were coded by JMA. According to the coded results, between 44 and 52% of respondents in the three groups shown the version of a computer mouse on wheels that most closely resembled the mark applied for, expected the logo to be that of a particular company. DL was by far the most popular answer for the group shown the red coloured versions of the mouse on wheels. DL was also the most popular answer amongst those in the group shown the black and white version. However, amongst this group esure wasn't far behind as the second most popular answer. That position was reversed amongst those in the group shown the orange and blue coloured version of the same mouse. The highest proportion of respondents who expressed an expectation as to the provenance of the logo was the group shown the exact re-production of the mouse on wheels used by DL in its advertising. 76% of this group is recorded as expecting a particular firm to use this logo. And over 80% of those respondents are recorded as naming that company (correctly) as DL. Only 1% of those with an expectation are recorded as mentioning esure in their answer to this question.

42. As a result of a request for disclosure, DL subsequently sent esure's representatives copies of all of the individual questionnaires, together with details of the instructions given to the interviewers, survey locations and coding instructions. This information was subsequently filed as evidence in these proceedings under the cover of a witness statement by Joanne Ling, who is a Trade Mark Attorney acting for DL.

esure's Response to the Survey Evidence

43. In response to DL's survey evidence, esure submitted evidence from three further experts. Richard James Morris is a Board Director at Carat Limited, which is a media agency. Mr Morris gives evidence about the exposure of DL's own mouse on wheels in an advertising campaign which was run at the same time as DL's survey. By checking the “clock numbers” for DL's advertisements (which were disclosed on request to esure) against estimated data held by the Broadcasters' Audience Research Board Limited, Mr Morris concludes that in the period between 9 May 2005 and 13 July 2005 (which covers the period prior to, and during which, DL's survey was conducted) over 90% of UK adults in the age group 25-54 were exposed to DL's advertising featuring its own computer mouse on wheels logo (portrayed as the ‘friend’ of the telephone) at least once. Over 80% of such people were exposed at least four times. Further, using information obtained from Poster Audience Research, Mr Morris estimates that more than 80% of the UK adult population was exposed, at

least once, to a parallel poster campaign run by DL (which also featured its own computer mouse on wheels) in the month prior to that in which DL's survey was conducted.

44. Maurice Rode is a Registered Forensic Practitioner and practices as an independent Forensic Examiner of handwriting. He was asked to provide expert evidence as to whether, in his opinion, the sets of questionnaires supposedly completed by two interviewers in the JMA survey were in fact completed by one and the same person, and on whether another set of questionnaires supposedly completed by one interviewer, had in fact been completed by more than one person. He gives evidence that the questionnaires in the JMA survey supposedly completed by interviewers J Ward and C Parker, were in fact completed by one and the same person. Further, a number of the questionnaires completed by interviewer David Feirn had been completed by more than one hand.

45. Philip Ian Malivoire is a director of GfK Consumer, the consumer division of GfK NOP. He is the Director of NOP responsible for conducting projects for legal purposes and has conducted seventy such projects in the last 15 years. He regularly acts as an expert witness and has given such evidence in court.

46. Mr Malivoire was asked by DL's legal advisors to review the survey conducted by JMA and the two slightly earlier 'mini' surveys conducted on DL's behalf by Richards Butler. Mr Malivoire's principal conclusions were that:

- a) the timing of the surveys alongside DL's advertising campaign featuring its own computer mouse on wheels undermined any value that the surveys may have had in measuring any association that may have existed between the mark applied for and DL's telephone on wheels trade mark prior to the commencement of that advertising;
- b) the code frame for recording the respondents answers was ambiguous and based upon a sample checked by Mr Malivoire, the number of coding errors in the survey was in excess of an acceptable margin of error;
- c) the instructions given to the interviewers were deficient and allowed too much room for choice as to where to hold the interviews, how much to probe, and how long to show the respondent the stimulus for the interview questions;
- d) the level of supervision and checking of the survey was inadequate, so that up to 40% of the completed questionnaires provide an unreliable account of the respondents' answers, and another 20% presented cause for concern;
- e) JMA is not a member of the Interviewer Quality Control Scheme (IQCS);
- f) the JMA survey was done in a rush and was of very poor quality, as exemplified by the fact that 53 questionnaires were lost altogether;
- g) the sample sizes in the 'mini' surveys are too small as to be statistically reliable.

47. In support of point d) above, Mr Malivoire provides his assessment of the competence of the interviewers in the survey based upon a review of their completed questionnaires. He marked each interviewer against a scale of 1-5. Those scored 1 and 2 were considered to be reliable or better. Those scored 4 or 5 are unreliable and/or dishonest. Those scored 3 were considered by Mr Malivoire to have failed one of the three criteria which characterise a good interviewer, that is to say:

- a) follows the interview instructions accurately;
- b) follows the instructions set out in the questionnaire accurately; and
- c) clearly records answers fully and accurately and does not paraphrase or provide answers that follow a consistent pattern.

48. Mr Malivoire regards those interviewers that he scores as 3 as being of doubtful reliability. On the basis of these classifications Mr Malivoire assesses that the work of 28 of the 60 interviewers was reliable, the work of 20 others was unreliable or dishonest, and there were doubts about the reliability of the work of 12 others.

DL's Attempt to Salvage the Survey

49. In an attempt to limit the damage to the credibility of its survey evidence, DL filed further written evidence. This included a witness statement from Louise Bennett, who is a solicitor employed by Linklaters. Ms Bennett explains that she was asked to contact the six interviewers from the JMA survey who Mr Malivoire rated as '1' (dishonest work) in his expert report. She was unable to contact one of the interviewers. The results of her discussions with the other five are, in summary, that:

- a) Mr Feirn admitted that his daughter had completed some of the questionnaires signed by him;
- b) Mrs Ward admitted that she had conducted the interviews recorded in the questionnaires as being conducted by Mrs Parker;
- c) Ms Amy Symonds, who Mr Malivoire had noted recorded a number of very similarly worded answers in her questionnaires, denied fabricating the answers but accepted that she tended to condense respondents answers into her own words;
- d) Ms Angela Spiers denied that the prevalent appearance of short repetitive and "don't know" answers in the questionnaires completed by her, combined with the fact that not one of the 50 respondents that she interviewed were recorded as agreeing to be re-contacted, indicated that her interview sheets were not a full and honest account of the answers given to her by the respondents.

50. Laura Ann Bulmer works for JMA Marketing and Research. Ms Bulmer explains that she attempted to contact all of the interviewers in the survey, other than the six rated as '1' by Mr Malivoire, in order to establish how many of them had been trained

by a member of the Interviewer Quality Control Scheme. She established that 49 of 54 interviewers she attempted to contact had been so trained.

51. Mr Mumford also filed further evidence, the main points of which are that he:

- a) disputes that the fact that JMA is not a member of Interviewer Quality Control Scheme means that its interviewers are not properly trained;
- b) describes the mainly on-the-job training provided to its interviewers by JMA or its Regional Supervisors;
- c) explains that JMA normally re-contacts its interviewers in relation to a random 10% of questionnaires (known as 'back checking') in order to establish that the interview took place and that the respondents answers were properly recorded;
- d) states that back checking was not performed on this survey because of time constraints;
- e) further states that other usual checks, which may have identified some of the issues identified by Mr Malivoire were not performed in this case for same reason.

52. Rosamund Joanna Biggs is a director of QPSMR Limited, which provides data processing services in connection with market research. She gives evidence that her firm was approached and asked to check the accuracy of the coding of 2042 of the questionnaires from the JMA survey, which a Mr Ellis had re-coded on behalf of DL in order to take account of the criticisms levelled against the coding of the survey by Mr Malivoire of NOP. Ms Biggs explains that she and her colleagues then twice entered the data into a data analysis software package and produced various data tables, which she exhibits.

53. The principal witness upon which DL relies in order to salvage its survey evidence is Adam Phillips. Mr Phillips has over 30 years experience in market research and currently runs his own market research consultancy. In addition he is:

- a) Vice Chairman of the Financial Services Authority (FSA) Consumer Panel, which is a board established by the Financial Services & Markets Act to provide advice to the FSA on behalf on consumers about regulatory issues relating to the financial services market;
- b) Chairman of the ESOMAR (the world association of research professionals) Professional Standards Committee;
- c) a member of the market research technical committee of the International Standards Organisation which recently produced the new international standard for market, opinion and social research; and
- d) Executive Board Member of the International Journal of Market Research.

54. Mr Phillips provides an expert report in which he comments on the criticisms of the JMA survey contained in the evidence filed by esure. Mr Phillips was cross examined on his evidence at the hearing described below. It is sufficient at this stage to record the main points of his written evidence, which are that:

- a) although a number of Mr Malivoire's criticisms of the JMA survey are justified, the impact of the deficiencies is not such as to undermine the overall conclusions that esure's mouse on wheels is strongly associated by consumers with DL's telephone on wheels, and that the key reason for that association is that esure's mouse on wheels has features in common with DL's telephone on wheels;
- b) the revised code frame attached to Ms Biggs evidence is satisfactory;
- c) the work of those interviewers marked 1 or 2 by Mr Malivoire can be disregarded;
- d) contrary to Mr Malivoire's opinion, the interviewers he rated as 3 (doubtful reliability) should not be excluded from the survey results because the criticisms of their work are not justified and/or are not liable to affect the overall result of the survey;
- e) the re-analysis of the questionnaire data provided by QPSMR shows that excluding the work of the interviewers rated 1 or 2 by Mr Malivoire makes almost no difference to the levels of association with DL shown in the survey when based upon the reduced (but still statistically valid) samples.

55. Mr Blackett produced a second expert's report in which he expresses the opinion that:

- a) despite Mr Malivoire's criticisms of the JMA survey, the results are exactly what he would have expected, and
- b) the strong family resemblance between esure's mouse on wheels and DL's telephone of wheels will have played a far more significant role than DL's pre-survey advertising in prompting consumers to associate esure's mouse on wheels with DL.

THE HEARING

Direction following a Case Management Conference and Pre-Hearing Review

56. On 30 June 2006, DL filed its evidence in reply under Rule 13C(5) of the Trade Mark Rules 2000 (as amended). On 25 July, esure objected to the admittance of much of this evidence and requested to cross examine all of DL's witnesses whose evidence was admitted. The parties were unable to agree about the extent of any necessary cross examination of witnesses, and consequently how long should be set aside for the substantive hearing of the matter.

57. I appointed a Case Management Conference and Pre-Hearing Review under Rules 36 and 37 in order to resolve these matters. This subsequently took place on 31 August when I determined that certain evidence would be admitted and certain other evidence excluded. There is no appeal from that decision and therefore no need to particularise it further here. Following an adjournment, the parties came to an agreed position with regard to the remaining matters. In essence they agreed that:

- a) all of DL's evidence in reply should be admitted save for the evidence that I had already excluded;
- b) esure would be permitted to cross examine all of DL's witnesses except for Rosamund Biggs, Joanne Ling and Nicholas Plested;
- c) DL would be permitted to cross examine all of esure's witnesses except for Maurice Rode;

58. Rule 37 gives the registrar the power to issue directions as to the conduct of a substantive hearing. In the light of this agreement to extensive cross examination of witnesses, I directed that two weeks prior to the substantive hearing, the parties should submit a schedule setting out the topics for cross examination and how long they estimated would be required for the cross examination of each witness. I subsequently received a letter from DL's representatives stating that it no longer wished to cross examine any of esure's witnesses. I received a schedule from esure with a list of topics and a timetable. I regarded some of esure's estimates for the time required for cross examination as more than was necessary to permit the evidence to be properly tested. Accordingly, I responded on 20 September with a revised timetable for cross examination, which I directed esure to adhere to.

59. Having regard to the list of topics for cross examination provided by esure, I further indicated that as the following matters were ones for the tribunal to determine, I thought it unlikely that I would receive any significant assistance from listening to DL's own officers being examined about some of the arguments contained in their evidence. The matters in question were 1) the similarities between the marks at issue, 2) how consumers will perceive the applicant's mark, 3) whether consumers will be confused, and 4) whether the applicant's mark dilutes the distinctive character or takes unfair advantage of DL's marks.

60. I record these matters here because they provide the background to a complaint made by DL's counsel about the way in which the proceedings have been conducted on behalf of esure, which I return to below.

61. The matter came to be heard on 2-4 October 2006 when esure was represented by Michael Silverleaf Q.C. and James Mellor Q.C., instructed by Taylor Wessing, and the DL was represented by Geoffrey Hobbs Q.C. and Guy Hollingworth, instructed by Linklaters.

62. Both sides filed skeleton arguments. Indeed esure filed two. DL's skeleton conceded that the ground of opposition brought under s.5(4)(a) of the Act added nothing of any materiality to the objections under s.5(2)(b) and 5(3). Consequently, I do not intend to deal with that ground of opposition.

Cross Examination

63. At the outset of the hearing counsel for the applicant indicated that the request to cross examine one of the opponent's witnesses, Louise Bennett, was no longer being pursued. Another of the opponent's witnesses, Laura Bulmer, was unavailable for cross examination due to a prior commitment. Mr Silverleaf indicated that the testing of Ms Bulmer's evidence was not of sufficient importance to the applicant that he needed to take particular issue with the consequences of her failure to attend for cross examination. He indicated that the applicant was prepared to accept that her written evidence should be given whatever weight that the tribunal thought appropriate in the circumstances.

64. The following witnesses were examined under oath during the course of the hearing. All of the witnesses appeared to me to be credible, truthful witnesses who did their best to answer the questions put to them in a straightforward and helpful manner. The following is a non-exhaustive analysis of the main points.

Peter James Corfield

65. Mr Corfield became the Marketing Director of DL in June 2005, nine months after the filing of esure's trade mark application, five months after the filing of the opposition and a month after the launch of DL's advertising campaign featuring its own computer mouse on wheels mark. Mr Corfield later left DL in October 2005 to return to work for Churchill Insurance, a related company in the same group as DL. Consequently, he was unable to assist when questioned by Mr Silverleaf about the development of DL's own mouse of wheels logo in 2004. He was also questioned about opinions he had expressed in his written evidence as to how consumers might characterise the DL telephone on wheels and the esure mouse on wheels, and the similarities between the two. But beyond stating the obvious - that DL's mark is a red telephone on wheels, whereas esure's mark is a computer mouse on wheels - his answers could not and did not shed any further light on that matter. He was unaware of any confusion with esure that had come to light during his period at DL or of any steps taken by DL to try and find out whether there had been any such confusion (other than the JMA survey in these proceedings).

Michael Paul Tildesley

66. Mr Tildesley took over as Marketing Director of DL in October 2005 when Mr Corsfield moved to Churchill. Prior to that he worked for a competitor of DL. In response to questions put to him by Mr Mellor, he affirmed his written evidence that in his personal opinion, formed over time (including the time before he joined DL), the esure mouse on wheels would damage and dilute the distinctiveness of the DL telephone on wheels mark in the insurance market.

67. Mr Tildesley agreed that the esure name connotes the Internet and that esure's Michael Winner television advertisements encouraged on-line sales. He was asked whether DL had complained about the use of a computer mouse on wheels in esure's later 30 second television advertisements. However, he was unable to shed any further light on that matter because he was not working for DL at the time [as I noted above,

the answer is clear from the written evidence: there was no express complaint made about esure's mouse on wheels at the time].

Graham Alexander Forbes Ross

68. Mr Ross was the Managing Director of DL up until 31 July 2005, after which he has had no further connection with DL. Mr Ross was challenged by Mr Silverleaf about various claims made in his written evidence about how consumers would regard the respective marks. Mr Ross agreed that consumers were likely to recognise DL's mark as a red telephone on wheels and esure's mark as a computer mouse with four chunky wheels. He agreed that he had described them both as "desktop communication devices to which wheels have been fixed" in his written evidence because he was looking for a term which expressed the conceptual similarity between the respective marks. He further agreed that the tyres on the wheels on the esure mouse were more like those on his own car (a BMW) than the chunky tractor-like tyres used on the DL telephone, but he countered that road cars do not have wheels protruding out of the sides, as both the marks in issue have. Mr Ross was not aware of any confusion between the DL telephone on wheels mark and the esure mouse on wheels, but he pointed out that any such confusion would not necessarily have become apparent to DL. Mr Ross accepted that DL could not properly object to another insurer using a logo representing other desk top objects on wheels, such as a stapler or a mug, nor (unsurprisingly) could DL object to the use of device of a car on wheels. These exchanges, and other argumentative exchanges along the same lines, shed no light whatsoever on consumers' perception of the respective marks.

69. In response to further questions from Mr Silverleaf, Mr Ross explained that the advertising account to modernise DL's branding was given to an agency called CHI in October/November 2004, which then came up with various ideas in the period February to April 2005. Work around modernising the existing telephone on wheels brand and work to generate alternative ideas as to how modernise the brand went on in parallel. At some point within the above timescale (Mr Ross could not recall exactly when) it was decided to reject all the ideas around modernising the telephone and instead focus on the introduction of a supplementary mark. Mr Ross explained the thinking like this:

"We chose the mouse because we thought that was a very simple way of retaining the Direct Line brand phone, which has a long history, but is a powerful and simple way of reminding people of our presence on the Internet."

70. Mr Silverleaf put a question to Mr Ross which required him to assume, contrary to his expressed opinion, that esure's mouse on wheels mark would not cause any confusion with DL telephone on wheels. On the basis of that assumption he was invited to agree with the statement that "use of a mouse on wheels would cause no harm to Direct Line at all, except that Direct Line would be unable to use a mouse on wheels, possibly."

71. Mr Ross responded by saying "If you follow your assumptions through, yes, that seems like the right conclusion." I record this particular exchange because it was the

subject of submissions which I will return to when I come to deal with the s.5(3) ground of opposition (see paragraphs 156-159 below).

Christopher Moat

72. Christopher Moat took over from Mr Ross as Managing Director of DL in August 2005. Mr Moat's written evidence contained detailed analysis of the respective marks and arguments as to the degree of similarity between them and the likelihood of confusion. When examined by Mr Mellor this led to some rather fruitless exchanges about such matters as:

- a) whether the width:length ratio of the esure mouse on wheels and the DL telephone on wheels are really 2:3 in each case as claimed by Mr Ross;
- b) whether the curvature of the esure mouse (as opposed to the slab sided shape of the DL mark) affects this calculation;
- c) whether it makes any difference that the calculation was made by viewing the esure mouse from above;
- d) whether Mr Moat made the calculation himself (he did not);
- e) whether the wheels are the most distinctive feature of the respective marks (Mr Moat stuck to his view that they were);
- f) whether people would really fail to notice the letter 'e' in the wheels of the esure mouse (Mr Moat conceded that it may not go unnoticed when the esure mouse appeared stationary in advertising posters).

73. Mr Moat was also questioned about some conclusions he had drawn in his written evidence on the basis of an article which appeared in the Sunday Telegraph of 22 May 2005. The article reported an interview with Peter Wood (founder of DL and esure) in which he is reported to have said that two advertising agents who had helped him devise the telephone on wheels mark when he was at DL, had helped him to develop some further branding whilst at esure. Mr Moat accepted that, contrary to the conclusion that he had drawn from the article, there was nothing in the report of the interview which indicated that these advertising agents had assisted esure specifically in relation to the creation of the mouse on wheels mark applied for.

74. In response to questions as to why DL did not object to the use of esure's mouse on wheels when it was first used in September 2004, Mr Moat stated that he understood that this was because DL did not regard the use of the mouse on wheels in TV advertisements as signalling an intention on esure's part to adopt that sign as a trade mark. When an application was later made to register the sign as a trade mark, DL filed this opposition.

Thomas Richard Blackett

75. Mr Blackett was questioned about his written expert evidence and he largely stood by what he said in writing. The most relevant points were that he accepted that:

- a) insurance is a considered purchase;
- b) it would be very unusual for a brand owner to change their brand from one thing into something different and there would have to be a very sound marketing reason to do it because the owner loses the advantage of the history of the existing brand;
- c) consumers would probably conceive of DL's mark as a red telephone on wheels and esure's mark as a computer mouse on wheels;
- d) if Messrs Mumford and Phillip's evidence were found to be wrong, the written evidence about the findings of the JMA survey in his second witness statement could not redeem it.

Louise Joanne Berg and Rebecca Louise Melling

76. Ms Berg and Ms Melling are the solicitors who conducted the 'mini' surveys which preceded the main JMA survey. They were questioned briefly about their conduct of the 'mini' surveys. It is worth recording that they conducted the surveys on busy shopping streets which were also bus routes. The witnesses could not rule out the possibility that DL's poster advertisements featuring its telephone on wheels mark with its 'friend' the mouse on wheels had been displayed on bus stops in the street in which the interviews were conducted. However, neither witness remembered seeing such advertisements and neither thought it likely that they would have missed them.

John William Mumford

77. Mr Mumford was questioned by Mr Silverleaf and re-examined by Mr Hobbs about the conduct of the survey and his analysis of the results. He accepted that the survey was conducted in a rush and that he would have wished for more time to do it. In particular, the usual random 10% 'back checking' of questionnaires (checking the forms for any suspicious signs of dishonesty or malpractice) was not done. He agreed that the number of dishonest interviewers and sub-standard work identified by Mr Malivoire was very unusual, although he pointed out that surveys are not usually scrutinised in the way that this one had been. He stated that although JMA's supervisors keep records of the training of interviewers, JMA itself does not. He confirmed that JMA has no formal training programme for its interviewers and that training is done 'on-the-job'.

78. With regard to the interviewers rated as being of doubtful reliability by Mr Malivoire, Mr Mumford resisted suggestions that a pattern or repetitive answers or the absence of further contact details was necessarily indicative of unreliable work. In connection with the latter point, he suggested that the penultimate question in the survey (Do you have any insurance policies?) may have left respondents with the impression that the final question, which asked for contact details, was a means to sell them insurance. In Mr Mumford's opinion, this would have put some people off from providing a contact address.

79. It was put to Mr Mumford that the greater level of recognition and association recorded amongst those shown the actual DL red computer mouse on wheels mark (as compared to the stimulus shown to the other three groups of consumers) could be accounted for by the effect of DL's advertising during the period in which the survey was conducted. Mr Mumford agreed that the difference in results was more than random fluctuation and could be the result of DL's advertising.

Adam Phillips

80. Mr Phillips was cross examined by Mr Silverleaf about his written expert report and particularly his opinion that a) the JMA survey was suitable for the purpose for which it had been used, and b) that the results had not been unduly affected by DL's advertising of its own mouse on wheels mark.

81. As regards the absence of 'back checking' of the questionnaires, Mr Phillips' evidence was that the expectation of back checking was more of a control factor than the actuality of back checking. Consequently, the absence of back checking was not fatal to the reliability of the survey results. In his opinion, the absence of any re-contact details was not, of itself, a reason to reject an interviewer's work as unreliable. In his experience there could be valid reasons why a competent interviewer might sometimes fail to obtain any or many re-contact details. These factors included the age, sex and appearance of the interviewer and the location where the interviews took place. He pointed that there exists a general reluctance to disclose contact details for commercial purposes as evidenced by the fact that 80% of homes with telephones are now either ex-directory and/or have their numbers registered under the telephone preference scheme. Further, people are more reluctant to provide such details in street interviews than those conducted by other means. Some people were better at overcoming this reluctance than others. He did not therefore accept that the fact that some interviewers achieved quite good re-contact rates meant that others had not tried to obtain these details. In his opinion, an interviewer who provides no re-contact details in order to cover up incompetent interviewing would be acting foolishly because they would be drawing attention to themselves.

82. He was questioned about the work of a number of interviewers. Most of these had been rated as unreliable by Mr Malivore and therefore excluded from the recalculation of the reliable interviewers which formed the basis of Mr Phillips' written evidence. However, he was also questioned about the work of a Mr Hartley, who was in the group which Mr Malivore had rated 3 (as being of doubtful reliability), and was therefore included in the re-calculation of the survey results. It was put to Mr Phillips that a combination of a) re-contact details being provided for only one out of 25 respondents, b) very little sign of probing for answers, and c) an atypically low percentage of respondents recorded as associating the representation of the red DL mouse on wheels with any particular insurance company, meant that this work was unreliable. Mr Phillips pointed out that random fluctuations of answers do occur naturally within a large survey. He maintained that these factors were not, in his opinion, sufficient to show that Mr Hartley's work was unreliable.

83. On the matter of the potential effect of DL's advertising on the survey results, Mr Phillips agreed that he had limited expertise in evaluating the effect of advertising through surveys. He was asked questions about various academic publications, the

most relevant of which was an article entitled ‘The Low Involvement Processing Theory’ by Robert Heath. In response to questions put to him about this work, Mr Phillips accepted that advertising cues are sometimes taken in without the person concerned consciously realising it. He agreed that the DL advertising would have had some effect on the results of the survey, but he did not think that it had had a strong effect.

84. Mr Phillips’ written evidence was that:

“... in a number of cases, it is clear, from the totality of the answers given, that the respondent is in fact referring to Direct Line’s telephone-on-wheels advertising.”

85. When asked what he meant by this Mr Phillips’ response was:

A. What I mean is that I did not actually look through the full answers that people gave as opposed to what the code said. In a number of cases it is clear that the answers given was referring to Direct Line’s telephone on wheels advertising. The difficulty is that there is no easy way to look through all the verbatim answers. So this is a qualitative statement, not a quantitative statement.

86. I understand that to mean that Mr Phillips did not examine all the verbatim answers but he looked at enough of those which were coded as having mentioned “seen it before” or similar to conclude that “a number” of the responses associating a computer mouse on wheels with DL were based on DL’s extensive promotion of its telephone on wheels mark and not the more recent promotion of its own computer mouse on wheels.

87. There was a further exchange which went like this:

Q. What I presume you have done is you have looked at the answers and you have said, he has referred to the telephone rather than the mouse and therefore I conclude that he is responding to the telephone advertising and not to the telephone and mouse advertising.

A. The answer to the question is, yes, the way that the respondent answered convinced me that they were not talking about the mouse. So they were essentially talking about a telephone on wheels.

Q. What I am going to put to you is, if that is right, how can you tell whether that is a respondent who has seen the telephone on wheels advertising with the mouse on wheels, but being much more familiar with the telephone, mentions the telephone rather than the mouse, and a respondent who has not seen the telephone on wheels with the mouse on wheels and mentions both?

A. It is a fair question. I cannot.

FINDINGS ABOUT THE SURVEY EVIDENCE

88. There is no such thing as a perfect survey. Surveys are, by definition, an artificial means of assessing consumer perceptions in a real commercial situation. Nevertheless, as the ‘average consumer’ is a legal construction, and cannot by definition be called upon to provide evidence him or herself, a survey may provide a useful indication of likely consumer reaction to marks in cases where the tribunal may be in doubt. Like every survey, this one contained flaws. The questions used were not particularly leading, but the description of the stimulus material as representing a new “logo” of an insurance company may have lead to a certain amount of artificial speculation.

89. I have carefully considered the evidence of Mr Mumford, Mr Malivoire, and particularly Mr Phillips. In my experience it is unusual for an expert’s assessment of what the survey shows to be borne out by examination of the raw material. This is most often because the relationship between the coding of the answers and the verbatim answers themselves is usually quite crude and often stands in stark contrast to the precision suggested by the careful selection of (often unnecessarily) large demographically representative samples of the population. The process of approximating answers to codes combined with the way in which the answers to sequential questions are often grouped together for the purpose of producing the ‘headline results’ frequently serves to overstate the level of public association with, or between, marks. That is not to say that such expert evidence cannot provide assistance. But in my experience it is generally by identifying the high watermark of the evidential value of the evidence from which the tribunal’s own assessment of the evidence should begin.

90. In this case I am satisfied that the procedural defects identified in the way that the survey was conducted do not undermine Mr Phillips’ assessment of the levels of public association shown in the JMA survey. I am fortified in this view by the broadly similar picture which emerges from the preceding mini-surveys. I am less convinced about the nature of the association suggested by the survey results. In particular, the answers given by some of those that said that they would expect the stimulus shown to them to be a logo of DL may mean that it simply reminded them of something used by DL. Accordingly, I think that it is safer to describe the headline result in terms of the levels of general association shown rather than in terms of the concrete expectations of the respondents.

91. The ‘headline’ results are that almost half of the group of respondents shown a red computer mouse on wheels similar (but not identical) to the esure mouse on wheels, associated it with DL, whereas less than 5% associated it with esure. Not surprisingly, an even higher proportion (over 70%) of those shown a representation of DL’s actual red computer mouse on wheels associated it with DL and hardly anyone associated it with esure. Nor is it any surprise that almost a quarter of the group shown a mouse which resembled esure’s mouse on wheels in esure’s colours of blue and orange associated it with esure. It is more of a surprise that almost 20% of that same group associated that mark with DL.

92. There is a further important factor in this case - the advertising effect. I found Mr Phillips’ evidence much less convincing on this point. In my judgment, DL’s

advertising of its own red computer mouse on wheels, prior to and concurrently with the survey, had the clear potential to increase the level of association between any computer mouse on wheels and DL's long established telephone on wheels mark.

93. I accept that, given the length of time that the telephone on wheels has been promoted as a trade mark of DL, it is entirely possible that DL's intensive promotion for a short period of its own computer mouse on wheels mark may not have significantly affected the results of the survey. Further, it is also possible that esure's own use of a computer mouse on wheels in its earlier advertising may have served to offset some of the effect of DL's advertising.

94. The reality is that no one can say what effect the parties' post application advertising had on the results of the mini surveys and the main JMA survey. I therefore regard the advertising factor as introducing too much uncertainty as to permit the results of the surveys to be taken as a reliable indication of what an average consumer would have thought at the date of the application. Consequently, I have approached the matter on the basis that the survey evidence is of no assistance.

THE PARTIES REASONS FOR ADOPTING COMPUTER MICE ON WHEELS MARKS

95. Ultimately the success of the opposition depends on the effect that the mark applied for would have had on an average consumer of relevant services at the date of the application. The reasons the parties adopted such branding is not therefore decisive. As far as I can see, esure has not accused DL in terms of an abuse of process in bringing this opposition for ulterior and impermissible reasons. Nevertheless, it seems to be part of esure's case that DL's objection to the registration of its mark is driven purely by its desire to be allowed to carry on using its own computer mouse on wheels mark, which it has supposedly copied from esure.

96. I note the co-incidence that DL's decision to modernise its branding started in the month that esure's first 10 second television advertisement featuring a computer mouse (without wheels) cutting out a red telephone was first broadcast. On the other hand, I note that Mr Graham of esure opines (there are as many opinions as facts in the evidence in this case) that to the extent that the telephonic nature of DL's established mark hindered the development of the growing Internet channel of insurance selling, that mark had in one sense become DL's "own worst enemy". When taken together with Mr Blackett's evidence, that brand owners are very reluctant to abandon well established brands, and that a computer mouse on wheels is a plausible extension of the idea behind the telephone mark, there is an alternative and credible explanation for DL's adoption of a computer mouse on wheels as a supplementary brand.

97. Fortunately, this a matter that I am not required to determine. The matter which I must decide is whether at the date of its application, esure's trade mark was liable to cause confusion with, or would without due cause take unfair advantage of, or be detrimental to, DL's telephone on wheels trade mark. If that is the case it does not matter why DL later adopted its own computer mouse on wheels mark. It is therefore sufficient for me to record that I am satisfied from the evidence of DL's witnesses that

the objection to the registration of esure's mouse on wheels was not made for purely ulterior reasons.

98. The reason for esure's adoption of the mark applied for is potentially of more direct relevance to this opposition. Although not decisive, an intention to deceive or cause damage could be a relevant factor when assessing the likelihood of confusion or other damage. There is undoubtedly an inference in the evidence of some of DL's witnesses, and in Mr Blackett's written expert evidence, that esure's adoption of its mark was likely to have been motivated by a desire to take unfair advantage of the reputation of DL's trade mark.

99. I note the co-incident that Mr Wood, the founder of both the parties to this opposition, was involved in the creation of both marks. Mr Wood has not given evidence. However, Messrs Graham, Bowden and Longden have given written evidence about the creation of the advertisements of which esure's mouse on wheels formed a part. The following summary of the relevant parts of their evidence is drawn from paragraph 19 of the skeleton argument provided by counsel for esure.

- a) The people involved were highly experienced in their fields of expertise;
- b) They had a keen understanding of advertising in the direct insurance sector and were well aware of DL;
- c) Their aim was to "cut through" in a very crowded market sector and this required esure's branding to be clearly differentiated from its competitors;
- d) The "cut out the phone" ads made a dig at DL: don't go to them, come to us;
- e) This was seen as a legitimate tactic rather than as a means of riding on the back of DL's reputation.

100. There has been no request to cross examine esure's witnesses on this evidence and counsel for DL did not seek to argue before me that esure had adopted its mouse on wheels mark with a deliberate intention of causing confusion or otherwise damaging DL's telephone on wheels mark. Accordingly, I find that the above description accurately states esure's intentions in this matter.

THE STATUTORY PROVISIONS

101. Section 5(2)(b) of the Act is as follows:

5.- (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.

102. Section 5(3) is as follows:

5.-(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, 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.

IS THERE A THRESHOLD REQUIREMENT FOR SIMILARITY?

103. Both of the above provisions require that the later trade mark be similar to the earlier mark. Mr Silverleaf submitted that as the word 'similar' appears as a qualifying condition in both of these provisions, the threshold level of similarity required to engage either of them must be the same. Further, as the respective marks are not similar overall, DL's case must fail.

104. In support of these contentions my attention was drawn to a number of authorities. *Vedial v OHIM, France Distribution*, Case C-106/03P [2005] ETMR 23 and *Sihra's Trade Mark* [2003] RPC 44 are the most relevant. In the first case the European Court of Justice (ECJ) upheld a decision of its Court of First Instance (CFI) that the existence of the trade mark SAINT-HUBERT did not prevent the registration of a later Community trade mark, being a composite trade mark consisting of the word HUBERT and a physically smaller stylised device of a chef. Although the respective goods were identical, the CFI held that the marks could in no way be regarded as identical or similar and there was therefore no likelihood of confusion. In upholding the judgment of the CFI the ECJ stated that:

“51. For the purposes of applying Art.8(1)(b) of Regulation No 40/94 [which corresponds to s.5(2) of the national law], the likelihood of confusion presupposes both that the mark applied for and the earlier mark are identical or similar, and that the goods or services covered in the application for registration are identical or similar to those in respect of which the mark is registered.”

105. The second authority is a judgment of Patten J. in the High Court. One of the issues in the *Sihra* case was whether there existed a requirement for a minimum degree of similarity between the respective goods or services before the condition of similarity in s.5(2) was engaged. Basing himself on paragraph 22 of the earlier judgment of the ECJ in *Canon v MGM* [1999] RPC 117, the judge held (in paragraph 12 of his judgment) that:

“It is clear that the flexibility inherent in this global approach [to the assessment of the likelihood of confusion] leaves intact the threshold

requirement for a recognisable degree of similarity between the goods and services in question.”

106. For DL, Mr Hobbs submitted that the *Vedial* case did not mean that there was a threshold requirement for similarity which had to be satisfied before the remaining conditions in s.5(2) or s.5(3) could be considered. *Vedial* meant only that marks which are not similar at all are not within the scope of Art. 8(1)(b) of the Community Trade Mark Regulation, or (by parity of reasoning) s.5(2) of the national Trade Marks Act.

107. Subsequent to the hearing my attention was drawn to a very recent judgment of Lewison J. in *L’Oreal SA and others v Bellure NV and others* [2006] EWHC 2355 (Ch) in which the learned judge addressed these very same issues. The relevant part of the judgment is set out below:

“ *A minimum threshold of similarity?*

110. Both infringement under section 10 (2) and infringement under section 10 (3) require similarity between the sign and the mark. Mr Wyand submitted that there was a threshold degree of similarity which had to be crossed before the court would consider whether the extent of similarity could have either of the effects required by section 10 (2) and section 10 (3) respectively. I do not agree. In my judgment similarity is a relative concept. A sign can be more or less similar to a mark. For example, Trésor is packaged in a cardboard box. So is La Valeur. These forms of packaging are similar to each other when compared to the whole range of possible packaging (e.g. Perspex cases, tins etc.). Whether something is *relevantly* similar to another thing seems to me to depend on why you are asking the question. In the case of trade mark infringement the question is asked in order to determine whether the degree of similarity has had (or would have) a particular effect. In my judgment this is borne out by the ruling of the ECJ that a lower degree of similarity between the mark and the sign may be counterbalanced by a greater similarity between the goods to which the mark and the sign are respectively applied. Accordingly, in my judgment, there is no minimum threshold of the kind for which Mr Wyand contended. It is a question of degree in every case.

The three degrees

111. The degree of similarity required is not the same in respect of each kind of infringement. In *Sabel BV v. Puma AG* [1997] ECR I-6191 the ECJ identified three kinds of possible links between a mark and a sign. They were:

"(1) where the public confuses the sign and the mark in question (likelihood of direct confusion); (2) where the public makes a connection between the proprietors of the sign and those of the mark and confuses them (likelihood of indirect confusion or association); (3) where the public considers the sign to be similar to the mark and perception of the sign calls to mind the memory of the mark, although the two are not confused (likelihood of association in the strict sense)."

112. A link in either of the first two categories is a necessary condition for infringement under article 5 (1) (b) which corresponds to section 10 (2). A link falling within the third category is insufficient for infringement under that article. However, a link falling within the third category is sufficient for infringement under article 5 (2) which corresponds to section 10 (3).”

108. I respectfully agree with this analysis. Essentially the judge decided that similarity is a matter of degree. Accordingly, once any recognisable element of visual, aural or conceptual similarity is identified it is necessary to consider whether the similarity is sufficient (in combination with other relevant factors) in order to create any of the effects which prohibit registration under s.5(2)(b) and/or s.5(3) of the Act. I note that the CFI interpreted *Vedial* in exactly the same way in Case T- 396/04, *Soffass SPA v OHIM* [2006] ETMR 44 (see paragraph 31 of the judgment). This is essentially the approach that I adopted in *Audi-Med* [1998] RPC 863 (see page 872 at lines 19-24) when first asked to consider the requirement for the marks to be similar for the purposes of s.5(3).

109. This approach to the assessment of similarity is also fully consistent with the ECJ’s judgment in *Adidas-Salomon v Fitnessworld* [2004] ETMR 10. In that case the court stated (at paragraph 28 of its judgment) that the assessment of similarity for the purposes of the equivalent provisions of the Trade Marks Directive, requires the existence of elements of visual, aural or conceptual similarity. The requirement to adopt the same approach to the assessment of similarity under provisions equivalent to s.5(2) and 5(3) of the Act does not mean that the same degree of similarity is required in each case. On the contrary, it is apparent from paragraph 29 of the court’s judgment in the same case that a different degree of similarity may be sufficient to show unfair advantage or detriment as compared to that which is necessary in order to establish a likelihood of confusion.

110. Counsel for esure provided written submissions subsequent to the hearing in which it was emphasised that part of esure’s case is that the respective marks are not similar at all. In this connection, it is contended that the presence of a common feature in two marks does not automatically lead to the result that they must be considered to have any overall similarity. I accept that possibility. Particularly, where word marks are concerned, the overall meaning and significance of a mark may be quite different notwithstanding the fact that two marks contain a common word. The requirement for similarity is therefore passed when there is any visual, aural or conceptual similarity between marks which is likely to be recognised as such by an average consumer.

The Registrar’s Preliminary Indication

111. In this connection, esure’s counsel invited me to take into account the view expressed in the Registrar’s preliminary opinion issued under Rule 13B(4)(a) on the s.5(2) ground of opposition. This was issued on 29 March 2005, prior to the commencement of DL’s advertising of its mouse on wheels mark. The opinion was also issued before DL submitted evidence establishing the reputation of the earlier mark and could not, therefore, have taken account of the enhanced distinctiveness of DL’s mark. The Hearing Officer concerned indicated that, in his view, the marks were not similar and there was no likelihood of confusion.

112. The Registrar's preliminary opinions are not subject to appeal and the parties are not entitled to be heard before such an opinion is issued. As Mr Hobbs pointed out, there are therefore obvious difficulties in suggesting that an adverse opinion creates something in the nature of a presumption that the party adversely affected by it has to overcome if the proceedings continue. As I understood him, Mr Silverleaf did not go as far as to suggest that it did. Instead he appeared to wish to rely upon the opinion of the Hearing Officer as evidence of an ordinary consumer's likely reaction to esure's mark prior to DL's advertising of its mouse on wheels mark. As Mr Hobbs was quick to point out, this is impermissible because it casts the Registrar's Hearing Officer in the position of a witness for esure in the very proceedings that the Registrar is charged with determining. I therefore made it clear at the hearing that I did not regard myself as being in any way bound or fettered by the preliminary indication given by the Hearing Officer. Nor am I prepared to give any weight to that opinion, either as evidence supportive of esure's contentions in these proceedings, or otherwise.

113. I note from the skeleton argument that was submitted to the High Court on esure's behalf in the earlier proceedings concerning its use in advertising of a red telephone without wheels, that esure at that stage took the position that it was the wheels "which characterise [Direct Line's] trade marks; the wheels are the defining characteristics of [Direct Line's] trade mark registrations". Of course, esure is entitled to change its position, but against that background it seems a bit rich for it now to be said that the wheels on esure's computer mouse give rise to no similarity at all with DL's telephone on wheels mark.

114. In my view, a distinctive feature of both marks is the unusual juxtaposition of wheels attached to (albeit recognisably different) electronic communication devices. I find that this gives rise to a recognisable similarity between the marks. Consequently, unlike the CFI's factual findings in the *Vedial* case, I do not accept that the presence of such a common feature in these marks gives rise to no similarity between them. The answer to the question of whether there is sufficient similarity between the marks depends on whether the applicant's mark is liable to have the effects specified in s.5(2) and/or 5(3). I return to those matters below.

NORMAL AND FAIR USE

115. It is common ground that in assessing the likely effects of the mark applied for I must consider normal and fair use of the mark. However, there is some disagreement about what this means in practice. Counsel for esure submitted that as esure's mark had been used in the colours of blue and orange, I should consider the paradigm use of esure's mark to be use in those colours. Mr Hobbs submitted that in the absence of a proposal for the mark to be registered in any particular colour, I should consider normal and fair use of esure's mark in all colours.

116. In my view, Mr Hobbs is correct. Otherwise esure would be able to ask for the assessments of any damage that its mark may cause to be assessed on the basis that it is used in orange and blue, and yet still be free to make further 'normal and fair' use of it in other colours, including red.

117. I am aware of authority in *Premier Brands UK v Typhoon Europe* [2000] FSR 767 to the effect that, prima facie, and in the absence of evidence or argument, the way that a mark has been used can be taken as a paradigm example of normal and fair use. I do not read this as meaning that a tribunal should not consider other examples of normal and fair use. I propose to approach the matter accordingly. This requires me to contemplate the effect of the use of the mark applied for in any colour, including red.

WHETHER REGISTRATION IS PROHIBITED BY SECTION 5(2)(b)

118. On 27 April 2006, the ECJ handed down a reasoned order disposing of the appeal in Case C-235/05P *L'Oreal SA v. OHIM*. The marks in issue in that case were FLEXI AIR (applied for) and FLEX (basis of opposition). The order was handed down under Article 119 of the applicable Rules of Procedure. By virtue of that Article, the Court may at any time (acting on a report by the Judge-Rapporteur and after hearing the Advocate General) by reasoned order dismiss an appeal on the ground that it is manifestly unfounded.

119. Mr Hobbs invited me to adopt the summary of the case law taken from that order because it can be taken to be the court's exposition of its own case law, in its own words. It must therefore represent the correct approach to the assessment required by the provisions of Community law which correspond with sections 5(2) and 10(2) of the 1994 Act.

120. I am content to remind myself of the relevant legal principles by reference to the summary contained in that order, the relevant parts of which are re-produced below.

“33 Article 8(1)(b) of Regulation No 40/94 provides that, upon opposition by the proprietor of an earlier mark, the trade mark applied for is not to be registered if, because of its identity with or similarity to the earlier mark and the identity or similarity of the goods or services covered by the marks, there exists a likelihood of confusion on the part of the public in the territory in which the earlier mark is protected. Such a likelihood of confusion includes the likelihood of association with the earlier mark.

34 It is settled case-law that likelihood of confusion on the part of the public must be assessed globally, taking into account all factors relevant to the circumstances of the case (see, to that effect, Case C-251/95 *SABEL* [1997] ECR I-6191, paragraph 22; Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819, paragraph 18; and order of 28 April 2004 in Case C-3/03 P *Matratzen Concord v OHIM* [2004] ECR I-3657, paragraph 28).

35 That global assessment implies some interdependence between the relevant factors, and in particular a similarity between the trade marks and between the goods or services covered. Thus, a lesser degree of similarity between those goods or services may be offset by a greater degree of similarity between the marks, and vice versa. Accordingly, it is necessary to give an interpretation of the concept of similarity in relation to the likelihood of confusion, the assessment of which depends, in particular, on the recognition of the trade mark on the market and the degree of similarity between the mark

and the sign and between the goods or services covered (see *Canon*, paragraph 17, and *Lloyd Schuhfabrik Meyer*, paragraph 19).

36 In that regard, as the more distinctive the earlier mark, the greater the risk of confusion (*SABEL*, paragraph 24), marks with a highly distinctive character, either per se or because of the reputation they possess on the market, enjoy broader protection than marks with a less distinctive character (see *Canon*, paragraph 18, and *Lloyd Schuhfabrik Meyer*, paragraph 20).

37 It has therefore been held that there may be a likelihood of confusion, notwithstanding a low degree of similarity between the marks, where the similarity of the goods or services covered is high and the earlier mark possesses a strong distinctive character (see, to that effect, *Canon*, paragraph 19, and *Lloyd Schuhfabrik Meyer*, paragraph 21).

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40 it is settled case-law that in order to assess the degree of similarity between the marks concerned, it is necessary to determine the degree of visual, aural or conceptual similarity between them and, where appropriate, to determine the importance to be attached to those different elements, taking account of the category of goods or services in question and the circumstances in which they are marketed (see *Lloyd Schuhfabrik Meyer*, paragraph 27).

41. In addition, the global assessment of the likelihood of confusion must, as regards the visual, aural or conceptual similarity of the marks in question, be based on the overall impression created by them, bearing in mind, in particular, their distinctive and dominant components. The perception of the marks in the mind of the average consumer of the goods or services in question plays a decisive role in the global assessment of the likelihood of confusion (see *SABEL*, paragraph 23, *Lloyd Schuhfabrik Meyer*, paragraph 25, and the order in Case C-3/03 P *Matratzen Concord v OHIM*, paragraph 29)."

121. I need only add to this summary that the reference in paragraph 33 of the ECJ's order to the likelihood of association does not, as Lewison J. noted in paragraph 112 of his judgment (re-produced above), cover association in the sense that one mark merely brings another mark to mind. However, s.5(2) does prohibit registration where use of the later mark is liable to cause indirect confusion. That happens where the consumer is aware that different marks are in use but is misled by the similarity between those marks, and the goods or services in respect of which they are used, into thinking that the marks are used by the same undertaking, or by economically linked undertakings (*SABEL* and *Canon*).

The Identity of Services

122. The services for which trade mark registration number 2000821 is registered are identical to those specified in the application. Both marks are registered or proposed to be registered for the broad terms 'financial services' and 'insurance', as well as for more specific descriptions of financial services.

Distinctive Character of the Earlier Mark

123. As I have already noted, there is no dispute that the earlier mark is very well known to the relevant section of the public. It is submitted on behalf of esure that the mark nevertheless remains partly descriptive because the telephone alludes to a method of doing business, while the wheels symbolise car insurance.

124. The wheels of the DL phone may have symbolised car insurance at the time that the mark was first adopted, but it is clear from the evidence that the mark has since been used by DL in respect of a variety of insurance and other financial services. This would have diluted any product specific information that the wheels may have originally conveyed. Further, esure states that it adopted wheels for its computer mouse in order to symbolise the availability of a courtesy car rather than to designate car insurance as such. Accordingly, the exact information conveyed by wheels on a device such as a phone or a computer mouse must be a little ambiguous. I accept that the use of wheels remains vaguely allusive of DL's services, but I do not think that the use can be regarded as truly descriptive, at least when applied to a device such as a telephone.

125. I believe that the fact that DL's mark is a telephone (albeit an old fashioned one) would still be seen as alluding to its business as a direct seller of insurance and other financial services. It will also continue to remind consumers that the telephone is a means of directly purchasing services from DL.

126. I agree with Mr Blackett's opinion that the distinctive character of DL's mark is the result of the unusual juxtaposition of a telephone and wheels. The repetitive use of the mark on an enormous scale will have magnified the public's appreciation of that unusual combination of features as representing a trade mark of DL. The consistent use of the mark in the colour red has given that colour, when applied to its phone on wheels mark, the status of a livery.

127. I find that, at the date of the application, the inherent distinctiveness of DL mark had been enhanced through extensive exposure and education of the public to the point where the mark had acquired a huge reputation in the financial services market and was extremely distinctive, even in black and white. When seen in its customary red livery the mark was even more distinctive of the services of DL.

The Similarity between the Marks and the Likelihood of Confusion

128. I recorded earlier some of the disputed 'evidence' as to the physical similarities between the respective marks and whether it is likely that consumers would refer to them as 'desk top communication devices' or similar. These considerations are most relevant to the assessment of the likelihood of direct confusion, by which I mean consumers mistaking esure's mark for DL's mark.

129. The identity of services and the highly distinctive character of the earlier mark combine to reduce the degree of similarity required for there to be a likelihood of confusion between the respective marks. Nevertheless, I do not believe that an

average consumer, who is deemed to be reasonably observant and circumspect, making a considered purchase such as an insurance policy, would fail to notice the differences between DL's telephone on wheels and esure's computer mouse on wheels marks. There are a number of detailed differences, but the most telling one is that both marks are based upon well known and easily recognised desk top communication devices which consumers are able to tell apart. I therefore reject any claim of a likelihood of direct confusion.

130. The physical differences and different verbal descriptions of the marks are less relevant to the question of whether there is a likelihood of association (indirect confusion). The verbal descriptions of the marks are relatively unimportant because these are essentially visual marks. Mr Silverleaf pointed out that, in addition to the fact that one mark is based on a telephone whereas the other mark is based on a computer mouse, there are further visual differences of style and detail between the marks. These are that:

- a) The esure mouse has a low and sleek profile like a modern racing car whereas the DL telephone is more angular and old fashioned;
- b) The tyres and tread on the esure mouse are like those found on a road car whereas the tyres on the wheels of the DL telephone are more tractor-like;
- c) The esure mouse has the letter 'e' in the centre of each wheel and 'eyes' on the top of the mouse.

131. I bear in mind that the matter stands to be assessed at the date of esure's application, at which point its mark was unused. The reason that esure chose that name is because it alludes to electronic trading. This is because the letter 'e' is frequently used in that context, e.g. 'e-business'. Accordingly, prior to the public having been told that the 'e' in the wheels of esure's computer mouse stands for esure, it was just as likely, if not more likely, to have been understood by consumers as a reference to e-trading, particularly when used on a device associated with the Internet, such as a computer mouse. I do not therefore regard the presence of the letter 'e' as a strong distinguishing feature. The 'eyes' on the esure mouse are not visible from some angles. When seen they give the mark a 'face' and, like the DL mark, a bit of a personality. I do not regard the 'eyes' as a strong distinguishing feature either.

132. I accept that the tyres and tread on esure's mouse are different to those on DL's telephone on wheels. However, I bear in mind the guidance of the ECJ that consumers' recollection of trade marks is based upon the overall impression created by them, bearing in mind, in particular, their distinctive and dominant components. Consumers do not conduct a detailed analysis of the various components of a trade mark. I doubt whether an average consumer of financial services would pay much attention to the specific tyres and tread on the wheels of these marks.

133. I accept that the appearance of the esure mouse on wheels conveys a sleeker and more modern vehicular appearance than that conveyed by DL's telephone on wheels. Accordingly, I accept that the detailed styling of the computer mouse does not contribute to any 'family' resemblance between it and DL's telephone mark. Instead the esure mark looks like a more modern interpretation of the idea behind DL's mark.

134. The dominant and distinctive feature of both marks is that they consist of wheels attached (in the same way) to an object which a) does not usually have wheels, and b) represents one of the two main channels of doing business with a direct seller of financial services and insurance. The fact that one mark would be recognised as being a telephone on wheels, whereas the other would be recognised as a computer mouse on wheels, does not mean that consumers wouldn't recognise that these devices represent alternative channels of communication with a direct seller. The modest degree of visual similarity between the marks (essentially the wheels and the vehicular appearance) is therefore enhanced by a greater degree of conceptual similarity. In my view, the visual and (particularly) conceptual similarities between the dominant and distinctive feature of the marks will have a greater impact on the average consumer than the detailed visual and aural differences.

135. In this connection, I note that in *SABEL* the ECJ accepted in paragraph 24 of its judgment that:

“It is not...impossible that the conceptual similarity resulting from the fact that two marks use images with analogous semantic content may give rise to a likelihood of confusion where the earlier mark has a particularly distinctive character, either per se or because of the reputation it enjoys with the public.”

136. Would an average consumer of the services in question, who was familiar with DL's established telephone on wheels mark, have believed that the mark applied for was a new variant of DL's established mark? Mr Silverleaf pointed out that DL was content to continue to use its telephone on wheels mark for five years after it started trading over the Internet. Why should DL be taken as having adopted a new mark to identify its Internet business years later? Further, as Mr Blackett acknowledged during examination, it would be extremely unusual for a business with such a valuable mark as DL's telephone on wheels to drop that mark in favour of another. There would have to be an overwhelming commercial reason to do so.

137. I see the force of these points, but there appear to me to be counterbalancing reasons why a consumer might have assumed that esure's mark was a mark used by DL as a development of its famous telephone of wheels mark. Firstly, the average consumer would have been well aware of the growing importance of the Internet as a means of selling services. Over 60% of DL's insurance quotations were being provided on-line by the relevant date in 2004. Mr Graham, esure's own witness, says that the telephonic nature of DL's brand meant that it was, in one sense, becoming its own worst enemy. The changing tools for conducting business may therefore have provided consumers with a reason for supposing that DL had adopted the mark applied for as a development of its well known telephone on wheels mark.

138. Secondly, as what actually happens shows, DL was not limited to the choice of carrying on with, or replacing, its established telephone on wheels mark. It had the choice of augmenting it with a new mark. The question that a consumer might have asked himself in September 2004 therefore included whether the mark applied for was a new mark used by DL in order to supplement its existing and well known telephone on wheels mark.

139. DL's position as the market leader in the direct insurance market, and the fact that it was up until the date of esure's application, the only company in the relevant market sector using a communication device on wheels as a mark, are further reasons for supposing that an average consumer might have been confused into thinking that the mark applied for was a mark of DL, or at least a mark used by an economically linked undertaking. There is in fact some evidence that some of the larger insurers are behind the services offered by a number of other undertakings. However, there is no evidence that consumers are generally aware of this and I therefore attach no weight to this evidence.

140. Mr Hobbs invited me to conclude that esure had failed in its duty to adequately distinguish its mark from DL. Implicit in this submission is that esure was wrong in thinking that it had done enough to distinguish the mark it proposed to use from DL's telephone on wheels mark. It may well have been wrong, but even if it was not, esure's calculation almost certainly did not include the prospect of its mark being used in the colour red, whereas its trade mark application does.

141. Mr Silverleaf submitted that DL was no better off basing its objection on its registrations of the telephone on wheels in the colour red than it was with its black and white registrations. The argument went that:

- a) registration in black and white covers use of the mark in all colours;
- b) accordingly, if leaving aside colour there is no likelihood of confusion with DL's mark, there can be no likelihood of confusion when considering DL's mark as registered in one particular colour.

142. There is a superficial logic to that submission, but in my view it is wrong. It is true that registration of a trade mark in black and white usually covers use of that mark in any colour. However, where two marks are merely similar, it is not open to the proprietor of a trade mark registered in black and white to ask for the particular colour in which another mark is used to be taken as adding a further point of similarity between the marks. A particular colour cannot be a feature of a mark registered in black and white. By contrast, a particular colour may be a feature of a mark registered in colour. Accordingly, a mark registered in colour is not to be regarded as merely a sub-set of the same mark registered without colour. That is why many otherwise distinctive marks are registered in particular colours. Mr Silverleaf's approach would reduce the effect of registering a mark in colour to zero. I reject that submission.

143. In this case the colour red serves to reinforce the association of the earlier trade mark with DL. The use of the mark applied for in that colour would plainly serve as a further pointer to DL. Taking all of the above into account, I find that at the date of the application, the use of the mark applied for in the colour red would have been likely to cause indirect confusion with DL's earlier mark. As the use of the mark in that colour is an example of normal and fair use of the trade mark, I find that the objection under s.5(2)(b) succeeds.

Whether the Applicant's Mark is Excluded from Registration by Section 5(3)

144. The applicable legal principles are as follows.

a) 'Reputation' for the purposes of Section 5(3) means that the earlier trade mark is known by a significant part of the public concerned with the products or services covered by that trade mark (paragraph 26 of the ECJ's judgment in *General Motors Corp. v Yplon SA (CHEVY)* [1999] ETMR 122).

b) Under this provision the similarity between the marks does not have to be such as to give rise to a likelihood of confusion between them; the provision may be invoked where there is sufficient similarity to cause the relevant public to establish a link between the earlier mark and the later mark or sign, *Adidas Salomon v Fitnessworld*, paragraphs 29-30.

c) The link must be such that it would cause real as opposed to theoretical effects: *Intel v Sihra* and *Intel Corporation Inc v CPM United Kingdom Ltd* [2006] EWHC 1878 (Ch).

d) The provision is not aimed at every sign whose use may stimulate the relevant public to recall a trade mark which enjoys a reputation with them (per Neuberger J. in *Premier Brands UK Limited v Typhoon Europe Limited* [2000] FSR 767).

e) The stronger the earlier mark's distinctive character and reputation the easier it will be to accept that detriment has been caused to it (per Neuberger J. in *Premier Brands*, and the ECJ in *CHEVY*, paragraph 30).

f) There is detriment to the distinctive character of the earlier mark where it is no longer capable of arousing immediate association with the goods or services for which it is registered. There is detriment to the repute of the earlier mark where the goods or services for which the later mark is used appeal to the public's senses in such a way that the earlier mark's power of attraction is diminished: *Spa Monopole v OHIM* [2005] ETMR 109 (CFI). These concepts have also been described as blurring or tarnishing the earlier mark (paragraph 88 of Pumfrey J.'s judgment in *Daimler Chrysler v Alavi* (MERC) [2001] RPC 813).

g) Unfair advantage is taken of the distinctive character or the repute of the earlier mark where there is clear exploitation and free-riding on the coat-tails of a famous mark or an attempt to trade upon its reputation: *Spa Monopole v OHIM*.

Whether a Risk of Unfair Advantage/Detriment is Sufficient

145. There were two points of any significant disagreement between counsel as to the applicable legal principles. Basing himself upon the following paragraph from the CFI's judgment in *Spa Monopole*, Mr Hobbs submitted that a mere risk of detriment or unfair advantage was sufficient to engage s.5(3).

“**40** The court notes, as a preliminary point, that the purpose of Art.8(5) of Regulation 40/94 is not to prevent registration of any mark which is identical with a mark with a reputation or similar to it. The objective of that provision is, notably, to enable the proprietor of an earlier national mark with a reputation to oppose the registration of marks which are likely either to be detrimental to the repute or the distinctive character of the earlier mark, or to take unfair advantage of that repute or distinctive character. In that connection, it should be made clear that the proprietor of the earlier mark is not required to demonstrate actual and present harm to his mark. He must however adduce *prima facie* evidence of a future risk, which is not hypothetical, of unfair advantage or detriment.” (emphasis added)

146. Having read the judgment as a whole, I do not believe that that the court’s reference to a “risk” of unfair advantage or damage was intended to mean that the words “would take....” in Art 8(5) should be regarded as requiring nothing more than a mere possibility of these things happening. Rather, like Patten J. in the *Intel* cases cited in the above summary at c), the court was concerned to distinguish between a real risk and a hypothetical one.

147. Like Art.8(5) of the Regulation, s.5(3) of the Act does not include the word “likelihood” either. The condition is satisfied if, without due cause, the use of esure’s mark “would take” unfair advantage of, or be detrimental to, the earlier trade mark. In the UK the standard of proof required in civil proceedings is generally to show that, on a balance of probabilities, a given event occurred or will occur. Accordingly, reminding myself about the need to focus upon real as opposed to theoretical effects, the question I must answer is whether use of esure’s mark would, on the balance of probabilities, have one or more of the effects specified in the section. I reject the submission that anything less will do.

Whether Fettering the Proprietor of the Earlier Mark’s Opportunities to Further Exploit the Commercial Value of his Mark is a Head of Detriment

148. The second point of disagreement between Counsel is whether there is head of damage describable as ‘fettering’. This is said to occur when the opportunities to further exploit the commercial value of the earlier mark are limited by the registration of the later mark. The specific complaint is that by adopting a mark which exploits the ‘heritage’ of DL’s mark, esure has fettered DL’s ability to exploit that heritage itself. This is not an academic concern. If this trade mark is registered esure has made it clear that it will sue DL for trade mark infringement with respect to the use of its own computer mouse on wheels mark.

149. In support of the proposition that ‘fettering’ is a head of damage, Mr Hobbs relied upon a decision of Mr Simon Thorley Q.C. sitting as the Appointed Person in *Loaded Trade Mark* BL-0-455-00. In that case Mr Thorley considered whether ‘inhibition’ (as he called it) was a form of detriment to the distinctive character or repute of the trade mark LOADED, which had a reputation for magazines. In paragraph 58 of his decision he appears to entertain that it might be. However, his overall findings at paragraphs 63 and 64 appear to me to be based upon the more recognisable headings of unfair advantage and detriment through dilution of distinctiveness.

150. Counsel for esure submitted that fettering or inhibition cannot be accepted as a form of damage to the reputation or distinctiveness of an established mark because it is fundamental that trade mark registration protects existing rights and not future developments. I agree. In my judgment, ‘fettering’ is not an independent head of damage. If the use complained of unfairly exploits, tarnishes or blurs the distinctive character or repute of the earlier mark, it will be caught under the plain language of the section. Use which doesn’t have any of those effects should not be caught under the alternative heading of ‘fettering’. This is because it would amount to giving the proprietor of an established mark with a reputation a right to object simply because someone else has applied to register a mark that he would have liked to have used or registered. And that would fall foul of the principle that trade mark registration protects only existing rights.

The Reputation of the Earlier Mark

151. I have already found that DL’s mark is highly distinctive and it has been accepted on behalf of esure that DL’s telephone on wheels mark was very well known in the relevant sector of the market at the date of esure’s application.

Whether the Similarity Between the Marks is Sufficient to Cause Consumers to make a Link Between them

152. As I have already noted, the respective services are identical. This plainly makes it more likely that a recognisable similarity between the marks will cause an average consumer to make a link between them. At paragraphs 129 to 134 above, I assessed the visual, aural and conceptual similarities between the marks. I adopt that same analysis for the purpose of assessing whether, even if there is no likelihood of association in the sense covered by s.5(2) of the Act, it was nevertheless the case that concurrent use of the marks at the relevant date would have resulted in an average consumer making a link between them.

153. I find that the similarities are sufficient to hold that an average consumer of relevant services would have made such a link. Further, in my judgment, such a link would have been made even if esure’s mark was used in colours other than red. This is consistent with esure’s use of the mark applied for as part of an advertisement intended to have a dig at DL. It is not possible to convey the message “Don’t go to them: come to us” without the means of bringing DL to mind. The computer mouse on wheels was not the only means used to do so, but it appears to me to have been one of the means.

154. It is now well established that showing that a non-confusing link would be made between the marks is not necessarily sufficient to engage s.5(3). The link must give rise to one or more of the consequences specified in s.5(3). DL’s case has been amplified in its evidence. See, for example, paragraphs 73 to 77 of the witness statement of Mr Ross, and paragraphs 34 and 35 of the witness statement of Mr Corfield in DL’s evidence in chief. The applicant responded to these claims. See, for example, paragraphs 92 to 95 of Mr Graham’s witness statement forming part of esure’s evidence in reply. The applicant has therefore joined issue on the claims which follow and this was reflected in the submissions made at the hearing.

Unfair Advantage?

155. DL's case is that the mark at issue takes advantage of a sufficiently large part of the 'heritage' of the telephone of wheels mark as to benefit from a 'free ride' on the massive investment that DL has made in promoting its mark to the point where the public are very familiar with it.

156. It is submitted on behalf of esure that its mark was designed to be clearly distinguishable from the marks of others in order to achieve the "cut through" which esure sought. Accordingly, DL's complaint is unfounded. Indeed it is said to be "silly". Mr Silverleaf submitted that Mr Ross' answers during cross examination had revealed the emptiness of DL's complaint. In a brief exchange, Mr Ross was asked to make an assumption that there was no confusion between the respective marks. When re-examined by Mr Hobbs he indicated that he understood this to mean that people:

"..understood they were two distinctly different businesses, different brands."

157. On the basis of the assumption that there would be no confusion between the marks, it was put to Mr Ross that esure's mark would not cause any damage to DL. He answered that:

"If you follow your [Mr Silverleaf's] assumptions through, yes, it seems like the right conclusion."

158. Mr Ross was no longer an officer of DL at the time of the hearing. Accordingly, his answer to this question could not have had the effect of withdrawing DL's case under s.5(3). I do not think that his answer undermines the credibility of DL's case under this section for the following reasons:

- a) Mr Ross was not asked directly about the points expressed in his evidence as to why esure's mark would take unfair advantage and be detrimental to the distinctive character of DL's telephone on wheels mark;
- b) I do not think he really understood that he was being asked about those matters;
- c) The assumption was artificial because Mr Ross did in fact believe that there was a likelihood of confusion;
- d) Therefore even taken at its highest, his answer did not contradict his written arguments as to the likelihood of unfair advantage and detriment to DL on the basis of the facts as actually understood by Mr Ross.

159. For what it is worth (and for the reasons explained later, I do not think that it is worth very much) DL's current Marketing Director, Mr Tildesley, was asked directly whether esure's mark took unfair advantage of, or was detrimental to, the distinctive character of DL's mark and his answer was that, in his view, it did.

160. In assessing whether esure's mark takes unfair advantage of DL's mark, I have borne in mind that the stronger the reputation and distinctive character of the earlier

mark the easier it should be to accept that the later mark takes unfair advantage of it. At the date of esure's application, DL's mark had a very strong reputation with the relevant section of the public and was extremely distinctive.

161. I accept that it was important to esure to differentiate its branding from that of DL. The success of the dig at DL in esure's advertising depended upon consumers recognising that esure was not DL. And although some consumers may have thought that esure's mark was that of DL, even when used in esure's colours, the majority seeing the mark used in those colours would probably have realised that the mark was not being used by DL.

162. Nevertheless, bringing to mind DL's earlier mark would still have provided esure with a commercial advantage. Mr Blackett gave evidence as to the importance of brands in the insurance sector, particularly in the direct insurance market where the branding is virtually the whole public face of the provider. Further, as esure itself acknowledges, because insurance is generally a once-a-year purchase it is very important that brands are memorable. To that end esure has spent considerable sums in order to promote branding that results in it being better remembered. This is particularly important in this sector of the market because it means that the insurer will spring to mind when a person next thinks about getting quotations.

163. In these circumstances a mark which calls to mind and attaches itself in the public's recollection to a famous mark used by another insurer, is liable to commercially benefit from the fame of that mark. It is, in effect hitching a ride on the coat tails of the famous mark by using the link with that mark in order to stimulate lasting recognition for itself. The fact that esure's mark represents a more modern interpretation of the communication device on wheels idea does not mean that the initial linkage with DL's mark ceases to benefit esure.

164. Mr Blackett's expert opinion is that if DL is required to share distinctive features of its branding with esure it would be unwise for it to continue to invest in its brand. This is because DL could not then be confident that the money it spent promoting its telephone on wheels mark would not also benefit esure. I accept the thrust of that evidence. In my judgment, a link which has this effect is parasitic in nature and therefore unfair.

Detrimental to the Distinctive Character or Repute of the Earlier Mark?

165. It is further submitted on behalf of DL that the use of esure's mark would dilute or blur the distinctive character of DL's mark.

166. It is submitted on behalf of esure that the use of its mouse on wheels mark will have no effect on the distinctive character of DL's telephone on wheels mark. It is said that that mark will remain just as famous as it was before and just as capable of designating DL.

167. I do not agree. Blurring or dilution are matters of degree. Brand owners and academics frequently use the metaphor "death by a thousand cuts" to describe the cumulative effect of me-too brands eating away at the distinctiveness of a trade mark of repute. The consequence is usually said to be that the brand owner should be

permitted to prevent the process of dilution from starting and not be made to wait until the point arrives at which the cancerous effect of dilution becomes manifest. The argument goes that, by that time, the damage is done and the process is unstoppable.

168. On the other hand, every trade mark which brings a well known mark to mind is capable of diluting the distinctive character of the reputed trade mark to a degree. If the later mark becomes established, the public's ability to immediately link either mark with just one undertaking will be weakened to some extent. It is not therefore enough just to point to the link between the marks and the theoretical prospect of dilution.

169. In order to assess whether any dilution will be really detrimental, and not just theoretical, one needs to have good idea about the exclusiveness of the earlier mark in the relevant market. DL has provided evidence about that. Mr Plested and Mr Blackett give evidence as to the uniqueness of DL's telephone on wheels mark. At the date of the application it was the only mark in the insurance market with the conceptual identity of a communication device on wheels.

170. If esure's mouse on wheels mark becomes established there will be two marks in use in the financial and insurance sectors based around the unusual juxtaposition of wheels attached to a communication device. The co-existence of these marks would be bound to reduce the uniqueness of DL's mark and with it the immediate certainty with which the public associate it with DL. Further, there would be nothing to prevent further dilution of the distinctiveness of DL's mark through the use by others of further wheeled communication devices in the relevant sector. In this connection, I note that esure also applied to register trade marks consisting of a computer keyboard on wheels and a computer screen on wheels. These applications were subsequently withdrawn. They nevertheless serve to illustrate why the mark applied for represents a real threat to the preservation of the highly distinctive character of DL's trade mark.

171. It is not possible to provide hard evidence of damage by dilution until after it has already occurred. And esure's mark was only used for a limited period. However, as Patten J. noted in *Intel Corporation Inc v CPM United Kingdom*:

“The Court is always entitled to draw inferences from evidence of primary fact and actual evidence of the strength of the existing mark and the similarity between it and the later mark may make the likelihood of detriment or unfair advantage a proper factual conclusion.”

172. This tribunal is entitled to draw inferences and conclusions on the same basis. The above factors lead me to find that use of the mark applied for would be detrimental to the distinctive character of DL's earlier trade mark. The objection under s.5(3) also succeeds on this basis.

Detriment to Repute - Tarnishing?

173. It is submitted on behalf of DL that esure's mark is further liable to tarnish the reputation of the earlier mark. As I understand it, the argument is that by virtue of the link that the public will make between DL's mark and the mark applied for, DL will lose the means to control its own reputation with the public.

174. It is submitted on behalf of esure that this is nothing more than speculation. There is nothing to suggest that esure's reputation as an insurer is such as to reverberate negatively on DL. I agree. I reject this submission.

Did esure have Due Cause?

175. The onus of showing due cause rests on esure. I have not been asked to consider a claim of due cause and there is therefore only one point that I need address (briefly) in case the matter goes further. As I noted earlier, the relevant public may make a comparison between the mark applied for and DL's mark. In *O2 Holdings Ltd v Hutchinson 3G Ltd* [2006] RPC 29 (at pages 750 and 751), Lewison J. held that comparative advertising may include the use of a mark which is similar to a registered mark. In my view, this finding has no bearing on whether esure has due cause to use the mark applied for. There is a fundamental reason for this. The Comparative Advertising Regulation is intended to permit a competitor to use the trade mark of a third party in order to be able to make effective and fair comparisons between his goods or services and those distinguished by the registered trade mark. The comparative advertising provisions do not permit competitors to incorporate distinctive features of earlier trade marks into their own marks for the purpose of designating their own goods or services.

176. In the light of my earlier findings, the objection under s.5(3) therefore succeeds.

The Conduct of the Proceedings

177. Mr Hobbs invited me to comment on esure's conduct of the proceedings, particularly on the usefulness of the extensive cross examination of DL's witnesses sought by esure, and on esure's non-compliance with the directions of this tribunal.

178. Mr Silverleaf also complained about the volume of evidence filed by DL, particularly the unsatisfactory nature of DL's survey evidence and the burden that analysing it (including over 4000 completed questionnaires) had placed on his client's time and resources.

179. I indicated at the conclusion of the hearing that I would give the parties an opportunity to make written submissions about costs once they had my decision on the substance of the opposition. That is the appropriate channel for esure to raise any issue it has about DL's evidence. I will, however, accept the invitation to comment on the usefulness of the extensive cross examination in this case, and on esure's alleged non-compliance with directions.

180. The general rule is that cross examination is not automatic but should be allowed within reason: *Alliance & Leicester Plc's Trade Mark Application* [2002] RPC 29. Cross examination will be refused where the request is "gravely oppressive". This includes where "there is nothing to test because the evidence manifestly goes nowhere".

181. In the light of this guidance it was, in my view, entirely appropriate for esure to ask to be permitted to cross examine Messrs Mumford, Phillips and Blackett. I found

the examination of these witnesses helpful. I am less convinced that it was necessary to cross examine Ms Berg and Ms Melling. Nothing came out of that examination which could not have been dealt with as submissions. Having said that, the examination of those witnesses did not take long and I would not go as far as to say that it was inappropriate.

182. I did not gain any assistance from the cross examination of Messrs Ross, Corfield, Tildesley and Moat. In particular, I believe that it was inappropriate and pointless to use cross examination as a means to conduct an argumentative discourse with these witnesses about whether the marks at issue are similar and whether the concurrent use of the marks will or will not lead to relevant confusion or dilution of DL's mark in the mind of a consumer. DL the company is the opponent. DL's officers are in no better position than I am to assess an average consumer's likely reaction to the concurrent use of the marks at issue. In *The European Limited v The Economist Newspaper Limited* [1998] FSR, 283 at 291, Lord Justice Millett noted that the role of an expert witness is as follows.

"The function of an expert witness is to instruct the Judge of those matters which he would not otherwise know but which it is material for him to know in order to give an informed decision on the question which he is called on to determine. It is legitimate to call evidence from persons skilled in a particular market to explain any special features of that market of which the Judge might otherwise be ignorant and which may be relevant to the likelihood of confusion. It is not legitimate to call such witnesses merely in order to give their opinions whether the two marks are confusingly similar. They are experts in the market, not on confusingly similarity ... In the end the question of confusingly similarity is one for the Judge. He was bound to make up his own mind and not leave the decision to the opinion of the witnesses."

183. If that is the position with the opinions of expert witnesses it seems to me that even less weight can be attached to the (predictable) opinions of the parties own officers. I asked Mr Silverleaf whether I was entitled to take the views of Messrs Ross, Corfield, Tildesley and Moat as being representative of those of the average consumer. His response was:

"No, because there is not a shred of evidence that they are acting anything like average consumers and there is overwhelming evidence that they are not."

184. In that event it seems to me that it was a futile exercise to cross examine these witnesses about the claims in their evidence as to the how consumers will react to esure's mark. Their 'evidence' was really further particularisation of DL's claims rather than evidence of fact. Much the same criticism can be made about the evidence of esure's officers, which is also bloated by legal argument and counterclaims as to the likelihood of confusion and other forms of damage.

185. Despite these observations, I do not think that DL is now in a position to complain about the extent of the cross examination. There are two reasons for this. Firstly, having initially resisted the request, DL agreed to the cross examination of these witnesses at the preliminary hearing held on 31 August. Had it not done so, I

may have directed that some of DL's witnesses should not be cross examined on at least some of their evidence. Secondly, by relying on the 'evidence' of its officers to particularise its case, DL partly brought the problem on itself. If DL had better observed the distinction between its statement of case and the evidence filed in support of it, the prospect of its officers being cross examined on the claims themselves would not have arisen.

186. I further find that esure's Counsel did not breach any direction from the registrar in putting the questions they did to DL's officers. Although my letter of 20 September provided guidance to esure's representatives as to the matters in respect of which I anticipated that cross examination was unlikely to be helpful, the only direction contained in that letter related to the timescale for examining witnesses. With my encouragement, esure's Counsel more or less stuck to that timescale.

Overall Conclusion

187. The opposition under s.5(2)(b) and s.5(3) succeeds. In the light of these findings and the concession made by DL at the hearing, I reach no conclusion on the further ground of opposition under s.5(4)(a).

188. This is a final decision for the purposes of Rule 62. Consequently, the period for appeal will run from the date of this decision.

Costs

189. The parties have 28 days to make any written submissions regarding costs. If, as seems likely, the parties intend to ask for compensatory costs they should accompany any such request with a breakdown of the costs that they seek to recover. I will issue a further decision dealing with the award of costs after having considered any such written submissions.

Dated this 13th Day of December 2006

**Allan James
For the Registrar**

ANNEX A

OPPONENT'S EVIDENCE

Rule 13C(1) Evidence

1. Witness Statement by **Graham Alexander Forbes Ross** with exhibits GAFR1 – 40
Witness Statement by **Peter James Corfield** with exhibits PJC1 – 4
Witness Statement by **Thomas Richard Blackett** with exhibit TRB1
Witness Statement by **Nicholas Perer Plested** with exhibits NPP1 – 2
Witness Statement by **John William Mumford** with exhibit JWM1
Witness Statement by **Rebecca Louise Melling** with exhibits RLM1 – 3
Witness Statement by **Louise Joanne Berg** with exhibits LJB1 – 3

Rule 13C(6) Further Evidence

2. Witness Statement by **Joanne Marie Ling** with exhibits JML1 – 11 (including a second Witness Statement from **John William Mumford**)

Rule 13C(5) Evidence in reply

3. Witness Statement by **Christopher Moat** with exhibits CM1 – 10
Witness Statement by **Michael Paul Tildesley**
Second Witness Statement by **Thomas Richard Blackett** with Appendix TRB1
Third Witness Statement by **John William Mumford** with exhibits JWM5 – 6
Witness Statement by **Laura Ann Bulmer** with exhibit LAB1
Witness Statement by **Louise Alexandra Bennet**
Witness Statement by **Rosamund Joanna Biggs with** exhibits RJB1 – 6
Witness Statement by **Adam Phillips** with appendix 1
Second Witness Statement by **Rebecca Louise Melling**

APPLICANT'S EVIDENCE

Rule 13C(4) Evidence

4. Witness Statement by **Peter John Graham** with exhibits PJG1 – 16
Witness Statement by **Christopher James Bowden** with exhibits CJB1 – 17
Witness Statement by **Michael Fraser Longden** with exhibits MFL1 – 7
5. Witness Statement by **Richard James Morris** with exhibits RJM1 – 8
Witness Statement by **Maurice Rodé** with exhibit MR1
Witness Statement by **Philip Ian Malivoire** with exhibit PIM1