

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION No 2185852
BY PROFESSIONAL AUDIO SALES & SERVICE LIMITED
TO REGISTER A MARK IN CLASS 9**

AND

**IN THE MATTER OF OPPOSITION THERETO UNDER
No 50366 BY AUDIO SYSTEMS COMPONENTS LIMITED**

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by Professional Audio Sales & Service Limited
to register a mark in Class 9**

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**IN THE MATTER OF Opposition thereto under
No 50366 by Audio Systems Components Limited**

DECISION

1. On 8 January 1999 Professional Audio Sales & Service Limited applied to register the mark MD-Report! for a specification of goods which reads "Apparatus for receiving, recording, storing, reproducing or transmitting audio or video signals or data; all being equipment for use by journalists to be used in connection with radio and television broadcasts; all included in Class 9".
2. The application is numbered 2185852.
3. On 3 November 1999 Audio Systems Components Limited filed notice of opposition to this application. They claim to be the proprietors of the unregistered trade marks MD-Report! and ASC MD-Report! and to have used these marks on the same or similar goods prior to any alleged use by the applicants. As a result they say they have an earlier right and registration of the applied for mark would offend the provisions of Section 5 of the Act. No further particularisation of the nature of the claim is given though the applicants in their counterstatement, not unreasonably, take it to be an objection under Section 5(4). In WILD CHILD Trade Mark, 1998 RPC 455, Geoffrey Hobbs QC, sitting as the Appointed Person indicated that "In the interests of justice and fairness it is plainly necessary for an objection to registration under Section 5(4) to be framed in terms which (i) specify whether the objection is raised under subsection (4)(a) or subsection (4)(b);". I have considered whether even at this late stage I should utilise the provisions of Rule 57 of the Trade Marks Rules 2000 to direct that clarificatory information be supplied (see Mr Hobbs' remarks in WILD CHILD in relation to the equivalent rule (Rule 51) of the preceding Trade Marks Rules). In the event I have decided that it is not necessary for me to do so for a number of reasons. There is no other obvious sort of earlier right claimed; references in the opponents' evidence to which I will come in a moment are to their goodwill consistent with a claim in relation to the law of passing off; and finally the opponents have not responded to the applicants' written submissions contained in their attorneys' letter of 18 December 2000 and which specifically sets out the applicants' belief that the opponents are relying on the law of passing off. I, therefore, proceed on the basis that the objection is under Section 5(4)(a).

4. The applicants filed a counterstatement in which they say:

"It is admitted that the trade mark MD-Report! applied for ("the Trade Mark") is the same as MD-Report! and similar to ASC MD-Report!. It is denied that MD-Report! and ASC MD-Report! are trade marks of the Opponent. The Trade Mark was created by the Applicant for use in respect of products manufactured by the Applicant. The Opponent was formerly a distributor of those products but was permitted to use the Trade Mark only under the terms of the distributorship agreement, in respect of goods manufactured by the Applicant. The Trade Mark has belonged at all times to the Applicant and any reputation arising from use of the Trade Mark accrues to the benefit of the Applicant.

It is admitted that the Opponent has sold goods bearing the trade mark MD-Report! that are similar to goods specified in the trade mark application. It is again denied that the Opponent has any rights in the Trade Mark.

It is denied that the Opponent used the Trade Mark before the use thereof by the Applicant. The Opponent first used the Trade Mark as a distributor for the Applicant in respect of goods manufactured by the Applicant. Any reputation arising from use of the Trade Mark accrued to the benefit of the Applicant."

5. They accordingly deny the sole ground of opposition.

6. Both sides ask for an award of costs in their favour.

7. Only the opponents filed evidence. The parties were invited to say whether they wished to be heard in the matter. Only the applicants responded (their trade mark attorneys' letter of 18 December 2000). They did not request a hearing but reserved their position in the event that the opponents requested one. In the event no such request was forthcoming. The above-mentioned letter did, however, contain written submissions which I take into account. The opponents in turn were invited to file written submissions but have not done so. Acting on behalf of the Registrar and after a careful study of the papers I give this decision.

8. The opponents filed evidence from their former Managing Director, Leonard Henry Lewis. Mr Lewis held that position for twenty one years until 3 April 2000. He draws on his own knowledge and/or company records to which he has been given full access. The main points to emerge from this evidence are as follows:

- the mark MD-Report! has been used by the opponents since 1996 in connection with Mini-Disc recording equipment and particularly certain Sony models (MZ R3, -30, -35 and -55)
- the apparatus is a protective chassis into which a Mini-Disc recorder can be inserted and which has the effect of converting domestic Mini-Disc recorders to professional standard. The product is aimed primarily at radio stations, journalists and professional sound recording technicians

- a prototype product was developed in 1995 by the applicants (referred to at the time as MZ-R3 PROKIT or PASS PROCASE - R3) - see Exhibit LHL1
- the applicants approached the opponents in late 1995 about a distributorship arrangement because they acknowledged, and wished to take advantage of, the latter's reputation in the specialist market concerned
- the opponents' engineers suggested various improvements and changes to the product (LHL2 and 3). Mr Lewis and a colleague believed the names (see above) used at that point by the applicants were insufficiently memorable and devised the name that is now in issue
- a draft distribution agreement (LHL4) made repeated reference to the product as the ASC MD-Report!
- an initial purchase order of 110 units was placed on 17 November 1995 (LHL5). Also exhibited (LHL6) is a letter concerning artwork designed by an employee of the opponents
- as a result of supply problems in 1998 the opponents started to manufacture a functionally equivalent product in house and no longer obtained the product from the applicants. The opponents' own product was first produced in November 1998 and has been marketed under the name ASC MD-Report!
- in about February or March 1999 the opponents' attention was drawn to advertisements by the applicants of products under the trade mark (LHL7 and 8).

9. The above brief overview of the opponents' evidence is sufficient to indicate the basis of the dispute.

10. I now turn to the ground of opposition under Section 5(4)(a). This reads:

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

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

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

11. The conventional test for determining whether the opponents have succeeded under this section has been restated many times and can be found in the decision of Mr Geoffrey Hobbs QC sitting as the Appointed Person, in *WILD CHILD Trade Mark* [1998] RPC 455. Adapted

to opposition proceedings, the three elements that must be present can be summarised as follows:

- (1) that the opponents' goods have acquired a goodwill or reputation in the market and are known by some distinguishing feature;
- (2) that there is a misrepresentation by the applicants (whether or not intentional) leading or likely to lead the public to believe that goods offered by the applicants are goods of the opponents; and
- (3) that the opponents have suffered or are likely to suffer damage as a result of the erroneous belief engendered by the applicants' misrepresentation.

12. The very full guidance given in the WILD CHILD case by Mr Hobbs by reference also to Halsbury's Laws of England can be found at pages 460 and 461 of that decision.

13. I have for the sake of completeness recorded the substance of the claims made in the opponents' statement of grounds and evidence along with the counterclaims made in the applicants' counterstatement. It will be apparent from this that this is a dispute between a manufacturer and their former distributor. The relationship appears to have had a promising beginning but has since foundered. The opponents who were appointed as distributors for the applicants' product claim the credit for devising the name MD-Report! as a more memorable mark than the one initially being used by the applicants. The applicants, for their part, say in their counterstatement that they created the mark but, of course, have filed no evidence to this effect. The first documented appearance of the mark MD-Report! is in the draft distribution proposal dated 10 November 1995 which the applicants sent to the opponents though the mark must, I think, have been devised sometime before that date. What discussions had taken place regarding the need for, creation of, and ownership of the mark is not clear.

14. It might seem from the above that this case raises issues as to the ownership of goodwill. If so it would be a difficult issue to resolve on the limited information available to me. However consideration of ownership of goodwill presupposes that goodwill exists in the first place. Without goodwill there can be no basis for an action based on Section 5(4)(a) and the law relating to passing off. I propose, therefore, to deal firstly with my views on the opponents' claim in this respect.

15. What is singularly lacking in the evidence before me is information on actual trade under the mark MD-Report!. The closest one gets is what I take to be the initial purchase order dated 17 November 1995 for 110 units with a value of £22,159.50. There is nothing to indicate that this order was met or the resulting goods sold. A fax transmission from the opponents to the applicants on the same day suggests that the products so ordered were to be delivered over a 12 month period. Somewhat curiously in May 1996 the parties appear (from exhibit LHL6) to be still in discussion about artwork for the case badge.

16. As I have said no actual sales are recorded and no information is given as to number of customers, turnover, geographical spread of sales, market penetration, advertising expenditure, promotional methods etc. I bear in mind, of course, that the 'relevant class of

persons' are professional sound recordists, journalists, radio stations etc. It may be that the opponents had readily established channels of communication with the relevant target audience through their existing business. The fact that the applicants approached them because of their reputation in the field suggests that this is a reasonable inference but it still does not address the lack of information on actual trading activities under the mark.

17. The only real indication that the mark may be known in the marketplace is Mr Lewis' claim that customers and contacts in the industry drew his attention to the applicants' own advertisements. That might suggest a degree of recognition and that the mark is associated with the opponents. However even this much is not clear as the matter is clouded by the fact that the advertisements in question refer to ASC MD-Report! and not simply MD-Report! (ASC being the acronym used by the opponents derived from their company name). In the absence of evidence from, or cross examination of, the individuals involved in these reports I am unable to say what aspect of the advertisement occasioned them to contact the opponents.

18. The result is that I simply have insufficient evidence before me to be confident that any goodwill exists in the mark. It follows that issues to do with the ownership of goodwill do not arise. The opponents have thus failed to establish the first leg of the passing off test and cannot succeed under Section 5(4)(a).

19. As the opposition has failed the applicants are entitled to a contribution towards their costs. I order the opponents to pay them the sum of £235. This sum is to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 14TH day of May 2001

M REYNOLDS
For the Registrar
the Comptroller-General