

O-325-06

**TRADE MARKS ACT 1994
AND
THE TRADE MARKS (INTERNATIONAL REGISTRATION) ORDER 1996**

**IN THE MATTER OF APPLICATION NO. 16053
BY SPIRITS INTERNATIONAL N.V.
FOR A DECLARATION OF INVALIDITY IN RESPECT OF
INTERNATIONAL TRADE MARK NO. 803765 IN THE NAME OF
ZAKRYTOE AKTSIONERNOE OBSHESTVO “GRUPPA PREDPRIYASTII OST”**

TRADE MARKS ACT 1994

And

The Trade Marks (International Registration) Order 1996

IN THE MATTER OF application No. 16053

by Sprints International N.V.

for a declaration of invalidity in respect of

International Trade Mark No. 803765 in the name of

Zakrytoe Aktsionernoe Obschestvo “Gruppa Predpriyastii OST”

DECISION

1. International Trade Mark No. 803765 has a date of protection in the UK of 30 April 2003, and is registered in Class 33 in respect of the following goods:

Alcoholic beverages (except beers), alcoholic beverages containing fruits, spirits, hydromel, peppermint liqueurs, sake, rice alcohol, gin, rum, bitters, liqueurs, whisky, brandy, aperitifs, vodka.

2. The mark is as follows:



“The mark consists of a 3 dimensional shape with the word and device appearing thereon.”

3. The registration has an International priority date of 4 November 2002 from a Russian Federation registration.

4. By an application dated 10 November 2004, Spirits International N.V. applied for the registration to be declared invalid. The application is made on the following grounds:

1. Under Section 5(2)(b) because the applicants are the proprietors of earlier mark that is similar to the mark applied for, and the goods for which the mark is registered are identical or similar to those of the applicants' earlier mark.

2. Under Section 5(3) because the applicants are the proprietors of earlier mark that is similar to the subject registered mark, and the goods of the subject registration are identical or similar to those of the applicants earlier marks such that in view of the applicants' reputation, use of the subject registered mark would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the applicants' earlier mark.

3. Under Section 5(4)(a) by virtue of the law of passing off.

5. The earlier mark relied upon by the applicants is as follows:

| Date | Number | Mark | Class | Specification |
|-------------|---------------|-------------|--------------|----------------------|
| 19/10/1995 | UK 2041808 | STOLICHNAYA | 33 | Vodka |

6. The registered proprietors filed a counterstatement in which they deny the ground on which the application is based.

7. The registered proprietors and the applicants for invalidity both ask for an award of costs in their favour.

8. Both sides filed evidence in these proceedings, which, insofar as it may be relevant to these proceedings I have summarised below. The matter came to be heard on 23 March 2006, when the applicants were represented by Mr Mark Hickey of Murgitroyd & Co, their trade mark attorneys. The registered proprietors were represented by Ms Maddox of W P Thompson & Co, their trade mark attorneys.

Applicants' evidence

9. This consists of a Witness Statement dated 24 May 2005, from Stanislav Brasiler, Managing Director of Spirits International N.V., a position he has held since 1999. Mr Brasiler states that the facts contained in his statement come either from his own personal knowledge, or from his company's books to which he has full access.

10. Mr Brasiler begins by stating that his company is the owner of the trade mark STOLICHNAYA, and is the registered proprietor of the trade mark following an assignment in 1999.

11. Mr Brasiler says that the mark STOLICHNAYA has been used continuously in the UK since 1966, on, or in connection with vodka. He refers to exhibit SB1 which consists of copies of labels that he says have been in use since 1966. The main label has STOLICHNAYA in block capitals on the top, and in an italicised script over the image of an industrial building, presumably a distillery. The label that would be affixed to the rear of the bottle also has STOLICHNAYA in block capitals on the top, several references to the brand in the descriptive text, and mentions “First Drinks Brands Ltd” as being the exclusive UK distributor. Mr Brasiler later confirms that this company has been his company’s UK distributor since 1998, which would suggest that the label at Exhibit SB1 dates from 1998 or later.

12. Mr Brasiler gives further details of the sales of STOLICHNAYA made in the UK in the years 1994 to 2003, in some cases by turnover in \$US, or by liquid volume (dals/litres/case), all of which shows there to have been significant sales, particularly in the years 2001 - 2003. Mr Brasiler puts the 2003 sales into context, stating that in that year sales of STOLICHNAYA equated to 24% of the UK market for vodka. He further says that STOLICHNAYA is considered to be the 3rd best selling “imported” vodka in the UK according to the International Wines and Spirits Report figures, although he does not provide the actual figures, a copy of the report or say when the report was produced. He goes on to give details of worldwide sales.

13. Mr Brasiler refers to his company’s promotion of STOLICHNAYA, exhibit SB2 consisting of examples of advertisements and features from various, mostly drinks trade publications. All appear to pre-date the relevant date, but not all were, or can be placed as having been available in the UK. Those that can depict the mark in the same style as the label at Exhibit SB1. The figures for the advertising spend on STOLICHNAYA in the years 2000 -2003 amount to £53,236, £50,000, £31,500 and £108,535 respectively.

14. Mr Brasiler refers to Exhibit SB3, which consists of a selection of invoices, dating from 14 March 1996 to 7 October 2004, and show sales of STOLICHNAYA vodka, primarily to First Drinks Brands Ltd. He concludes his Statement by referring to the International drinks exhibitions attended by his company. Although these have all been outside of the UK, Mr Brasiler says that delegates from the UK would have attended.

Registered proprietors’ evidence

15. This consists of two Witness Statements. The first is dated 26 August 2005, and comes from Dr Nicholai von Fünér, a partner in v. Fünér Ebbinghaus Finck Hano, the attorneys acting for Zakrytoe Aktsionernoe Obschestvo “Gruppa Predpriyastii OST”.

16. Mr Fünér refers to exhibits 1 and 2, which consist of details of the base Russian Federation trade mark registration on which the International registration 803765 relies, and a Russian Federation national registration. He says that the parties have been in dispute in various jurisdictions, giving details of the proceedings and their status.

17. The second Witness Statement is dated 26 August 2005, and comes from Jennifer Maddox, a partner in W P Thompson & Co, the registered proprietors' trade mark attorneys.

18. Ms Maddox says that the applicants' UK registration No. 2041808 was assigned from Zakrytoe "Sojuzplodimport" to Spirits International N.V. in 1999, the transaction being recorded on the UK register in 2000. Exhibit JMM1 is an historical extract for that registration, inter alia showing the recordal of the assignment. Exhibit JMM2 consists of the Form TM16 filed to request that the assignment be recorded on the register, and a copy of the assignment document dated 25 November 1999, which states that the assignment of the marks is with all rights title and interest in them.

Applicants' evidence in reply

19. This consists of a Witness Statement dated 14 November 2005, from Puravee Shah, a trainee trade mark attorney with Murgitroyd & Company, the applicants' representatives in these proceedings. Mr Shah says that he has been informed that contrary to the evidence given by the registered proprietors, no opposition or invalidity proceedings have ever taken place in the eight jurisdictions said to have found the marks not to be similar. He does not dispute that proceedings are ongoing in another 8 jurisdictions, but asserts that they have no relevance.

20. That concludes my review of the evidence insofar as it is relevant to these proceedings.

Decision

21. The application for a Declaration of Invalidity is made under the provisions of Section 47 of the Act, which reads as follows:

“47.-(1) The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in breach of section 3 or any of the provisions referred to in that section (absolute grounds for refusal of registration).

Where the trade mark was registered in breach of subsection (1)(b), (c) or (d) of that section, it shall not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered.

(2) The registration of a trade mark may be declared invalid on the ground -

(a) that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain, or

(b) that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied,

unless the proprietor of that earlier trade mark or other earlier right has consented to the registration

(2A)* But the registration of a trade mark may not be declared invalid on the ground that there is an earlier trade mark unless –

(a) the registration procedure for the earlier trade mark was completed within the period of five years ending with the date of the application for the declaration,

(b) the registration procedure for the earlier trade mark was not completed before that date, or

(c) the use conditions are met.

(2B) The use conditions are met if –

(a) within the period of five years ending with the date of the application for the declaration the earlier trade mark has been put to genuine use in the United Kingdom by the proprietor or with his consent in relation to the goods or services for which it is registered, or

(b) it has not been so used, but there are proper reasons for non-use.

(2C) For these purposes –

(a) use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and

(b) use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes.

(2D) In relation to a Community trade mark, any reference in subsection (2B) or (2C) to the United Kingdom shall be construed as a reference to the European Community.

(2E) Where an earlier trade mark satisfies the use conditions in respect of some only of the goods or services for which it is registered, it shall be treated for the purposes of this section as if it were registered only in respect of those goods or services.”

22. In the documentation and evidence relating to this case, various claims have been made in respect of proceedings said to be ongoing or decided in other jurisdictions, some of which are disputed. Whilst I note that other proceedings may have taken place and decisions issued, I do not know the facts or basis on which these decisions may have been decided, and they can have no bearing on my determination of this case. There is also the matter that these proceedings have taken place in jurisdictions where the linguistic considerations will have been different.

23. Before going on to consider the substantive grounds of the application for a declaration of invalidity, I am required to consider the provisions of Section 47(2)(A) relating to the

requirement introduced under The Trade Marks (Proof of Use, etc.) Regulations 2004. The applicants make specific mention of this section in paragraph 2 of their Statement of Case.

24. The applicants rely on one earlier mark, No. 2041808. This achieved registration on 14 March 1997, which, being more than five years before the date of the making of the application places the onus upon the registered proprietors to meet the use conditions laid down in Section 47(2)(B). This requires genuine use of the earlier mark in the UK within the five years preceding the date of the application, by the proprietor or with his consent in relation to the goods or services for which it is registered, or if it has not been so used, there are proper reasons for this. With this in mind, the registered proprietors must show use in the period from 10 November 1999 to 9 November 2004. The provisions of sub-section (2)(c) allows for use of a trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered.

25. The Act refers to “genuine use” having been made of the trade mark but does not set out what constitutes use that is genuine? In Case C-40/01, *Ansul BV v Ajax Brandbeveiliging BV* [2003] RPC 40 page 725 paragraph 36, the European Court of Justice answered the question in the following terms:

“Genuine use must therefore be understood to denote use that is not merely token, serving solely to preserve the rights conferred by the mark. Such use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of the goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others that have another origin.”

26. The *Ansul* decision stated genuine use entails use of the mark on the market for the goods or services protected by that mark and not just internal use by the undertaking concerned. Such use must be in relation to goods or services that are already on the market, or about to be marketed and for which preparations are underway to secure customers, for example, by means of advertising. The *Bud* Trade Mark case [2002] RPC 38 at paragraphs 41 and 42 gives some useful, albeit limited guidance on advertising.

27. The assessment of whether there has been genuine use must take into account all of the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, and may include giving consideration, inter alia, to the nature of the goods or services at issue, the characteristics of the market concerned, and the scale and frequency of use; the use need not always be “quantitatively significant” for it to be deemed genuine.

28. In the *Police* case [2004] RPC 35, the Appointed Person took the view that the *Ansul* decision did not limit the factors to be taken into account in establishing whether use was genuine only to the three areas specifically mentioned. It had stated that all facts and circumstances relevant to establishing whether there had been real commercial exploitation should be included, and that the size of a proprietor’s undertaking may be relevant.

29. Further guidance on the scale and frequency of use can be found in the *La Mer Technology Inc* case. This is the decision of a resumed appeal hearing following a reference to the ECJ on various questions relating to the meaning of “genuine use”. In his decision

Blackburne J stated:

“31. Whether in any given case the proven use amounts to genuine use ("whether the commercial exploitation of the mark is real" as paragraph 38 of Ansul puts it) will depend on all of the facts and circumstances relevant to establishing such a state of affairs, including the characteristics of the market concerned and of the products or services in question, and the frequency or regularity of use of the mark. Even minimal use will be sufficient if, in the market concerned, the proven use is considered sufficient to preserve or create a market share for the goods or services protected by it. Thus, the sale or offering for sale (in, say, a trade magazine) of a single exceedingly costly and highly unusual item carrying the mark in a specialised market, for example a very large and complex piece of earth-moving equipment, may very well be considered by itself to be sufficient in the market for such equipment to preserve or create a market share for items of that kind which carry the mark whereas the sale of a low priced everyday product in a widespread market, for example a single jar of face cream bearing the mark or the exposure for sale of, say, half a dozen such jars for sale on a shop shelf, would almost certainly not be. It would be irrelevant to this conclusion that, in the latter example, the purpose of the proprietor of the mark (or of some third-party acting with the proprietor's consent) when offering the jar of cream for sale was to create a share in the market for face cream sold in jars bearing the mark.”

30. Mr Justice Blackburne referred back to the decision of Jacob J in the earlier part of the appeal:

“15. Jacob J himself ventured an answer to those questions. At paragraph 29 of his judgment [2002] FSR 51 at 29) he said this:

"I take the view that provided there is nothing artificial about a transaction under a mark, then it will amount to "genuine" use. There is no lower limit of "negligible". However, the smaller the amount of use, the more carefully must it be proved, and the more important will it be for the trade mark owner to demonstrate that the use was not merely "colourable" or "token", that is to say done with the ulterior motive of validating the registration. Where the use is not actually on the goods or the packaging (for instance it is in advertisement) then one must further enquire whether that advertisement was really directed at customers here. ...

Nor do I think that the absence of a *de minimis* rule significantly affects the policy behind the legislation. Yes, marks must be used within the relevant period, but there seems no reason to make a trader who has actually made some small, but proper, use of his mark, lose it. Only if his use is in essence a pretence at trade should he do so. And of course, if he has only made limited use of his mark it is likely that the use will be only for a limited part of his specification of services. If he has a wider specification, that can and should be cut back to just those goods for which he has made use ..."

31. The evidence relating to the use of the applicants' earlier mark is thin to say the least, and much of what there is either cannot be dated as being use within, or is outside of the five-year window, or does not show the use as being use within the UK. Exhibit SB2 includes an extract from the March 2002 edition of a magazine called "DRINKS BUYER Americas". It can be placed as being available in, or at the very least originating from the UK by the details on the second page. This contains a reference to a contact for UK sales, shows the publisher to be based in Kent, and refers to sales in terms of "£". The following page contains an advertisement depicting a bottle of vodka, the label showing the word STOLICHNAYA on the top, with a depiction of a factory with the words "Stolichnaya vodka" in an italicised script running diagonally. The label also contains other, non-trade mark matter. The next pages are a copy of the March 2002 edition of "Drinks International". This also shows the publisher to be UK based, and refers to UK subscription rates. The magazine contains an advertisement showing a bottle of vodka, a crumpled label of the design previously described, and the words "let the taste unfold...STOLICHNAYA genuine Russian vodka". Exhibit SB3 consists of a collection of documentation relating to the purchase and transportation of STOLICHNAYA vodka, for delivery to First Drinks Brands Ltd, in Southampton, in the period March 1996 to October 2004.

32. In the *Bud* trade mark case [2002] RPC 38, Simon Thorley QC sitting as a Deputy Judge of the High Court stated that the Trade Marks Act 1994 did not draw a distinction between a "primary use" of a trade mark on the product concerned and "secondary use" on advertising material. Use of a sign on business papers or on advertising was just as material a use as the use on the goods. The subsequent appeal did not consider this particular point. In my view, the advertisement from "Drinks International", which shows the name STOLICHNAYA being used in a plain block font is evidence that establishes that the mark STOLICHNAYA has been used in the UK, in the five years preceding the filing of the application for invalidity. The documentation found in Exhibit SB3 shows a trade being carried out for a number of years, and even without knowing the extent of the market, it is possible to say that it has been of a significant scale.

33. There is also use of the mark as part of the label on the bottle shown in the advertisement in "Drinks Buyer Americas". In the judgment of the Court of Appeal in *Bud and Budweiser Budbrau Trade Marks* [2003] RPC 25 at paragraph 10, Sir Martin Nourse took the following line in relation to the use of one mark as part of another:

I "10 It will have been observed that Mr Salthouse, without discussion, assumed that the average consumer's reaction was of paramount importance. For that he was criticised by the judge, on the ground that what is required is a determination of the elements that make up the distinctive character of the mark, being a matter which is to be viewed through the eyes of the registrar in assessing whether or not the mark should be registered. There was a debate before us as to whether the matter should be viewed through the eyes of the registrar or through the eyes of the average consumer. I agree with the approach of the judge so far as it goes. But it appears that he may not have given adequate weight to the consideration that the registrar, in assessing the distinctiveness of the mark, would necessarily have to view the matter through the eyes of the average consumer. Indeed, Mr Bloch Q.C., for AB, did not deny that the average consumer had a role to play. While emphasising that the registrar is required to carry out an exercise which the average consumer does not carry out, he accepted

that, in assessing the distinctive character of a mark, she has to have regard to the way in which it would be perceived by the average consumer.

11 The judge also criticised Mr Salthouse for having sought to ascertain what was the central message of the mark. For myself, I do not think that that was what Mr Salthouse did. Paraphrasing somewhat, I understand him to have said that the distinctive feature of the mark was the words Budweiser Budbräu and that the different fonts and the underlining of the word Budbräu did not detract from, or add anything to, that distinctive feature. On that view of the matter Mr Salthouse was doing precisely what s.46(2) required him to do.

12 Mr Bloch accepted that, in relation to a particular mark, it is possible, as Mr Salthouse put it, for the words to speak louder than the device. However, he said that it does not necessarily follow that the entire distinctive character of the mark lies in the words alone. That too is correct. But there is yet another possibility. A mark may have recognisable elements other than the words themselves which are nevertheless not significant enough to be part of its distinctive character; or, to put it the other way round, the words have a dominance which reduces to insignificance the other recognisable elements. In my judgment, on a careful reading of Mr Salthouse's decision, it was into that category that he put the Budweiser Budbräu mark. It is true, as it often is with hindsight, that he might have expressed his view more clearly. But as Robert Walker L.J. said in *Bessant (t/a Reef) v South Cone Inc*, unreported. May 28. 2002 [FN4].”

34. In the decision in *Covent Garden Soup Company Ltd v Covent Garden Authority* BL O/312/05, the Hearing Officer considered whether use of a composite mark incorporating the words NEW COVENT GARDEN SOUP CO constituted use of the words alone:

“24. In the *Bud* case, the application of s46(2) came into issue because certain features of the registered marks had been omitted from the marks used. The omission of a part of a registered mark inevitably gives rise to doubt as to whether the distinctive character of the registered mark has been retained when only some elements of it have been used.”

35. He then went on to pose the question of whether the addition of the other elements altered the distinctive character of the mark in the form in which it is registered:

“25. However, the main area of doubt with regard to the use of the composite mark arises in a rather different context in which the whole of the registered mark has been used a) in form which differs from that in which it is registered...and b) with other elements added to it to form the composite mark.

26. ...It is possible for the addition of elements to alter the distinctive character of a mark. For example, I do not think that the mark JAMES has the same distinctive character as the mark JAMES & JOHNSON. But in this case I believe that the average consumer of soups would regard the words NEW COVENT GARDEN SOUP CO as having an independent distinctive role within the composite mark. These words have the same distinctive character when they are used as a part of the composite

mark as they do when used alone. On that view of the matter, the use of the words as part of the composite mark shown above falls squarely within s46(2).”

36. The Hearing Officer found support for his conclusions in Case C-353/03, *Societe des Produits Nestle SA v Marks UK Ltd*. In this, the ECJ had been asked to make a preliminary ruling on the meaning of Article 3(3) of the Directive, which is the basis for the proviso to section 3(1) of the Act. This allows for registration of a trade mark that lacks the necessary (inherent) distinctive character if it has acquired such a character through use. The referring court’s question was whether such a character could be gained as a result of the use of a trade mark in conjunction with, or as a part of, another trade mark. The ECJ’s answer was that it could. Accepting that this did not necessarily mean it is possible to sustain a trade mark registration through use of that mark as a part of another mark, he considered there to be “a certain logic in the proposition that if it is possible for a mark to acquire its own distinctive character as a result of its use as part of another mark, then it should also be possible for it to retain that distinctive character, even though it is always used with the other elements of the composite mark.” He considered this to have been the view of the Advocate General Kokott, who in paragraph 24 of her opinion in the *Nestle* case stated:

“Structurally it would surely be wrong to recognise use for the acquisition of distinctive character but not to allow it to suffice in order to prevent loss of trade mark protection. Indeed, it is not precluded that use of a mark as part of another mark may also suffice in the context of Article 10. Under Article 10(2)(a) it also constitutes use if the trade mark is used in a form differing in elements which do not alter the distinctive character of the mark in the form in which it is registered. Use of a sign as part of a principal mark also comes within that definition.”

37. The mark as registered is STOLICHNAYA in plain block capitals. The labels on the bottles of vodka prominently show the word STOLICHNAYA in plain block capitals, and also in an italicised font. On the basis of the above cases, I would conclude that both uses constitute use of the mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it is registered.

38. Having determined that there is evidence that shows use of the mark in relation to the goods for which it is registered, namely, vodka, I turn to consider the grounds on which the application is based. I will look first at the ground under Section 5(2)(b), which reads 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.”

39. An earlier trade mark is defined in Section 6 of the Act as follows:

“6.-(1) In this Act an "earlier trade mark" means -

(a) a registered trade mark, international trade mark (UK) or Community trade mark which has a date of application for registration earlier than that of the trade mark in question, taking account (where appropriate) of the priorities claimed in respect of the trade marks,”

40. I take into account the guidance provided by the European Court of Justice (ECJ) in *Sabel BV v Puma AG* [1998] E.T.M.R. 1, *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* [1999] E.T.M.R. 1, *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel B.V.* [2000] F.S.R. 77 and *Marca Mode CV v Adidas AG & Adidas Benelux BV* [2000] E.T.M.R. 723. It is clear from these cases that:

(a) the likelihood of confusion must be appreciated globally, taking account of all relevant factors; *Sabel BV v Puma AG*, paragraph 22;

(b) the matter must be judged through the eyes of the average consumer of the goods/services in question; *Sabel BV v Puma AG*, who is deemed to be reasonably well informed and reasonably circumspect and observant – but who rarely has the chance to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has kept in his mind; *Lloyd Schuhfabrik Meyer & Co GmbH v. Klijsen Handel B.V.* paragraph 27;

(c) the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details; *Sabel BV v. Puma AG*, paragraph 23;

(d) the visual, aural and conceptual similarities of the marks must therefore be assessed by reference to the overall impressions created by the marks bearing in mind their distinctive and dominant components; *Sabel BV v. Puma AG*, paragraph 23;

(e) a lesser degree of similarity between the marks may be offset by a greater degree of similarity between the goods, and vice versa; *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc*, paragraph 17;

(f) there is a greater likelihood of confusion where the earlier trade mark has a highly distinctive character, either per se or because of the use that has been made of it; *Sabel BV v. Puma AG*, paragraph 24;

(g) mere association, in the sense that the later mark brings the earlier mark to mind, is not sufficient for the purposes of Section 5(2); *Sabel BV v. Puma AG*, paragraph 26;

(h) further, the reputation of a mark does not give grounds for presuming a likelihood of confusion simply because of a likelihood of association in the strict sense; *Marca Mode CV v. Adidas AG & Adidas Benelux BV*, paragraph 41;

(i) but if the association between the marks causes the public to wrongly believe that the respective goods come from the same or economically linked undertakings, there is a likelihood of confusion within the meaning of the section; *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc*, paragraph 29.

41. Accordingly, I must consider the matter through the eyes of the average consumer of the goods in question, assuming them to be reasonably well informed, circumspect and observant, and on the basis that they will make comparisons of marks based upon an imperfect recollection kept in their mind, not by an analysis of its component parts, but as whole against whole. This must be balanced against the fact that in a comparison of trade marks it is inevitable that reference will be made to the elements of which the marks are composed. Whilst this approach is consistent with the case law which requires that consideration is to be given to the distinctiveness and dominance of the component parts, it must be the marks as a whole that are compared.

42. The registered proprietors' specification covers "vodka", both in the specific term, and in the more general descriptions "Alcoholic beverages (except beers)" and "spirits". It is not, in my experience, unusual for an alcoholic beverage such as vodka, to be made with a juice or other mixer added, so notionally the same goods would be covered by the terms "alcoholic beverages containing fruits". The question is whether other alcoholic beverages in the subject registration's specification should be considered as similar goods to vodka? In my view, given they are of the same nature, for the same purpose, share the same channels of trade, if not from manufacture, at least from wholesaler/retailer, to the same end consumer in direct competition to vodka, I consider the answer to be in the affirmative. This being the case, I must proceed on the basis that identical/similar goods are involved, and on the understanding that the goods may share the same trade channels, and be promoted and sold in the same way, in the same environment, to the same end consumer.

43. The mark that is the subject of these proceedings consists of the 3 dimensional shape of the bottle with the word STOLHAYA and various graphical elements appearing on it. The applicants' mark consists of the word STOLICHNAYA alone. The difference between the marks is that the mark under attack is a representation of how the goods will be supplied to the customer, whereas the applicants' mark is simply the name under which the vodka will be sold. Self-evidently the applicants must, and as the evidence not surprisingly shows, do put their vodka into a bottle for sale. That the earlier mark relied upon by the applicants consists of a word alone, any potential for confusion must be based on the premise that the consumer will pick out the word STOLHAYA and mistake it for STOLICHNAYA.

44. In composite marks it is generally accepted that it is the words that speak, or to put it another way, that they are the element that will be the initial focus and later point of reference for the consumer. Where the mark consists of a container this is all the more likely unless there is something about it that is so out of the ordinary so as to be instantly memorable, or it has become independently distinctive through use. I do not consider the registered mark to be the former, and there is no evidence that it has achieved the latter. In my assessment, the distinctive and dominant element of the subject mark is the word STOLHAYA, and these proceedings come down to a consideration of whether the similarities between STOLHAYA and STOLICHNAYA are such that there is a likelihood of confusion.

45. In his evidence Mr Brasiler refers to the applicants' predecessors in title having first used STOLICHNAYA in the UK in 1966, and that from that date there has been continuous sales of STOLICHNAYA vodka in the UK under a label shown as exhibit SB1. The exhibit shows two labels, one for the front and one for the reverse of a bottle. Both bear the word STOLICHNAYA in plain block capitals at the top, the front label also has the word in a stylised script across the centre with the ® symbol denoting that it is a registered trade mark. The labels contain the usual non-trade mark matter, including a reference to First Drinks Brands Limited of Southampton being the exclusive UK distributor. Given that at paragraph 6 of his Statement, Mr Brasiler says that this company has been the UK distributor since 1998, this is clearly not an example of the actual label used in 1966.

46. Mr Brasiler provides figures for sales of vodka by volume from 1991 to 2004, and from 1994 to 2003 (omitting 1999 and 2000) by turnover in US\$. Both seem to show a significant trade, but without knowing the size of the market or the sterling value of the turnover it is not possible to gauge their significance. Mr Brasiler puts his company's trade in 2003 into context by stating that STOLICHNAYA held 24% of the total market for vodka imports in the UK, but says nothing about other years. Nor does he tell me whether there is UK produced vodka, and if there is, what proportion of the total UK market for vodka his company holds.

47. The examples of advertising shown in Exhibit SB2 all appeared in drinks trade publications, and matter that appears to be have been provided to persons in transit. Whilst I have accepted that there is evidence that relates to the UK within the relevant period, there are no circulation figures, and being trade publications it is uncertain whether they will have been read by consumers outside of the drinks trade.

48. Balancing all of the evidence of use, I come to the position that it supports the view that the applicants have, in all probability established a reputation in the name STOLICHNAYA in relation to vodka. What is less certain is the extent of that reputation amongst the consumers of vodka, and I do not, therefore consider it appropriate to proceed on the basis that the applicants have a reputation that warrants granting the marks a greater level of protection.

49. The selection of a beverage in establishments such as supermarkets and off licences, and from a drinks list in restaurants, will primarily be a visual act, which means that similarity in the appearance of the marks will be of some significance. However, the selection may also be made orally, such as through an enquiry made of a sales assistant, waiter or at a bar, and in such circumstances it will be the aural similarity that will play its part. But however the goods at issue are obtained, they are of such a nature that conceptual similarity will have some bearing. I am of course conscious that the consumer will not always be in a position to see the respective goods displayed side by side. They may well be able to do so in supermarkets, off-licences and bars where drinks are habitually displayed together by type, but of course only in establishments that stock both brands and that is an unknown quantity.

50. In a visual comparison of long words such as STOLICHNAYA and STOLHAYA, the number of letters in each is of less significance than the overall impact on the eye brought about by any similarities and/or differences in the sequencing and the relative strength of the

letters and syllables, and whether there are elements that would be discernable or more memorable to the consumer. It is also relevant to consider that it is the beginnings of words that are generally considered to be of most significance in any comparison, so where similarities occur can be important, as can the fact that in long words such as we have here, differences may have proportionately less significance than in shorter words. Both the registration in suit and the applicants' earlier mark begin with the element "STOL", and also share the same ending "AYA". That the difference is in the body of the words where they are surrounded by the similarities makes them less obvious to the eye, and reduces their significance. My view on the respective marks is that they are similar in appearance.

51. There are similarities in the consonants, vowels and syllables at the beginning and termination of the respective marks. These are important for in my view "STOL" is a strong element that has a significant impact upon the sound of the respective marks. There are, of course, also differences. The registered proprietor's mark runs together, creating a soft sound composed of two distinct syllables. In the applicants' mark the differences in the middle portion give it a harder sound and require deliberate articulation to pronounce it correctly. However, words are not usually enunciated with regard to every letter and syllable, so when spoken the differences in sound as a whole will diminish. The similarity in beginnings and endings will be the significant contributors to the sound of both marks.

52. STOLICHNAYA is said to be the Russian word meaning "metropolis" but this is unlikely to be known by non-Russian speaking persons who make up the majority of consumers in the UK. Whether seen as STOLICHNAYA or "metropolis", neither word has any relevance for vodka that I am aware of, and there is no evidence that it has. To a Russian speaking consumer of vodka the mark STOLICHNAYA may be remembered by its meaning, but to the non-Russian speaking consumer, particularly those who are aware of Russia's reputation for this spirit, this will be no more than a Russian sounding name; they would not know or indeed care whether it has any particular meaning or is an invention. There is no suggestion that STOLHAYA has any meaning in any language, so insofar as it sends out any message, to a consumer conversant with the Russian language it will be an invention, whereas other consumers will receive it as a Russian sounding word but not know whether it is real or not. Accordingly, I consider the respective marks are conceptually the same, and will be for the majority of consumers of vodka.

53. Balancing all of the factors, and particularly taking into account the possibility of confusion through "imperfect recollection", I come to the view that whilst there may be differences in the respective marks, these are outweighed by the elements in common. When other circumstances such as the identity/similarity in the goods, consumer and trading circumstances are factored in, it seems clear to me that should the registered proprietors use their mark in relation to the goods for which it is registered, that this will lead the public to believe, and wrongly so, that the respective goods come from the same or linked undertakings. There being a likelihood of confusion, the opposition under Section 5(2)(b) succeeds.

54. My finding under Section 5(2)(b) means that I do not need to go on to consider the grounds under Section 5(3) and 5(4)(a). However, for completeness I will go on to give my views on the likely outcome had I done so. Both of these sections rely on the complainant possessing a reputation and/or goodwill. I have accepted the applicants to have established a

reputation in their mark in respect of vodka and I see no reason why this should not be the case in respect of goodwill. It therefore follows that if the registered proprietors were to use a mark that I have found to be similar to the applicants' earlier mark, in respect of goods that I have identified as being identical or similar to those for which the applicants have a reputation/goodwill, this will amount to a misrepresentation and result in confusion or deception. The consequence is that the applicants will suffer damage to their goodwill, or have their reputation harmed or ridden upon.

55. The application having succeeded, the applicants are entitled to a contribution towards their costs. I order the registered proprietors to pay the applicants the sum of £1,750 as a contribution towards their costs. 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 17th day of November 2006

**Mike Foley
for the Registrar
the Comptroller-General**