

O-022-07

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION NO 2328188
BY NISA-TODAY'S (HOLDINGS) LIMITED
TO REGISTER THE TRADE MARK:**

HERITAGE

IN CLASSES 31 AND 33

AND

**THE OPPOSITION THERETO
UNDER NO 93655
BY INDEPENDENT FOOD SERVICES LIMITED**

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by Nisa-Today's (Holdings) Limited
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BACKGROUND

1) On 1 April 2003 Nisa-Today's (Holdings) Limited, which I will refer to as Nisa, applied to register the trade mark HERITAGE (the trade mark). The application was published for opposition purposes in the *Trade Marks Journal* on 20 May 2005. Only the class 33 goods, *cider*, are of concern in this case.

2) On 11 August 2005 Independent Food Services Limited, which I will refer to as IFS, filed a notice of opposition to the registration of the application. IFS states that it has used the trade mark HERITAGE in relation to cider throughout the United Kingdom since August 1994. The trade mark is applied to product packaging, promotional materials and point of sale displays; the goods are sold through retail grocery stores and supermarkets. Consequently, registration of the trade mark in respect of *cider* would be contrary to section 5(4)(a) of the Trade Marks Act 1994 (the Act). Nisa denies the grounds of opposition.

3) The finance director of IFS, Andrew Thewlis, has given evidence for IFS. His evidence consists of a witness statement specific to this opposition; exhibited to this is a witness statement and exhibits which were used in relation to a trade mark application for the trade mark HERITAGE, to establish honest concurrent use. Nisa has not furnished any evidence.

4) IFS, which trades under the name of Landmark or Landmark Wholesale, provides a centralised trading and marketing operation for independent wholesalers. IFS operates as the central body for the appointed "members" of the Landmark Wholesale Group; which currently comprises 29 cash and carry wholesale businesses across the United Kingdom. IFS purchases and supplies a vast range of goods to 29 cash and carry depots. These products include toiletries, household goods, foodstuffs and beverages; some of these are proprietary brands and others are own label goods. The own label goods are offered through the members' wholesale depots to retailers. Retailers have to register and satisfy the appropriate criteria as to their status and credentials as retailers, in order to purchase products from the depots. Mr Thewlis states that his set-up is analogous to the more familiar wholesale services such as Makro and CostCo. The retailers who purchase products from the depots are small grocery shops, supermarkets, off-licences, newsagents

and the like. IFS allows many of these undertakings to use registered trade marks that it owns on their signage and store fronts.

5) The depots offer a vast arrange of alcoholic beverages for purchase. In early 1994 IFS decided to produce a range of cider. Mr Thewlis states in his witness statement for this case that “We have continually supplied cider branded with the HERITAGE trade mark since August 1994”. In the exhibited witness statement he states that “The trade mark HERITAGE was first used by my company upon cider in August 1994, and the mark has been in continued usage since then”. Between August 1994 and September 2003, IFS sold 920,132 cases of 6 x 2 litre bottles, equating to 5,520,792 bottles. In the same period IFS has sold 179,594 cases of 24 x 500ml cans, which equates to 4,310,256 cans. IFS has sold over 13 million litres of cider under the HERITAGE brand. The wholesale prices have been on average £7.99 for the 6 x 2 litre packs and £8.99 for the 24 can packs. Mr Thewlis estimates that the total wholesale value of goods sold under the HERITAGE trade mark amounts to £8,966,400. He estimates that the value of retails sales of HERITAGE cider by September 2003 would have been in excess of £12million.

6) Promotional materials for HERITAGE cider are exhibited:

1 January to 20 January 1996 – this shows the stylised word HERITAGE without any further indication or reference

29 July to 17 August 1996 - this shows a 2 litre PET bottle;

26 May to 14 June 1997 – this shows a 2 litre PET bottle and a 500 ml tin;

a period ending on 3 January 2004 – this shows a two litre PET bottle and a tin;

an undated A4 flyer – this shows tins and a bottle.

The material from a period ending 3 January 2004 has a different get-up to that of the earlier dated material; a farmhouse scene has been replaced by a design of apples and leaves. The stylisation of the word HERITAGE has not changed. The flyer eschews any picture but uses HERITAGE in the same stylised format.

7) A hearing took place on 10 January 2007. IFS was represented by Mr Marsh of Wilson Gunn. Nisa was represented by Mr Krause of Haseltine Lake; on 18 August 2006 Nisa also provided written submissions.

8) Section 5(4)(a) of the Act states:

“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;”

I intend to adopt the guidance given by the Appointed Person, Mr Geoffrey Hobbs QC in the *Wild Child case* [1998] RPC 455. In that decision Mr Hobbs stated that:

"A helpful summary of the elements of an action for passing off can be found in Halsbury's Laws of England 4th Edition Vol 48 (1995 reissue) at paragraph 165. The guidance given with reference to the speeches in the House of Lords in *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 and *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] ACT 731 is (with footnotes omitted) as follows:

"The necessary elements of the action for passing off have been restated by the House of Lords as being three in number:

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

.....Further guidance is given in paragraphs 184 to 188 of the same volume with regard to establishing the likelihood of deception or confusion. In paragraph 184 it is noted (with footnotes omitted) that:

"To establish a likelihood of deception or confusion in an action for passing-off where there has been no direct misrepresentation generally requires the presence of two factual elements:

- (1) that a name, mark or other distinctive feature used by the plaintiff has acquired a reputation among a relevant class of persons; and
- (2) that members of that class will mistakenly infer from the defendant's use of a name, mark or other feature which is the same or sufficiently similar that the defendant's goods or business are from the same source or are connected.

While it is helpful to think of these two factual elements as successive hurdles which the plaintiff must surmount, consideration of these two aspects cannot be completely separated from each other, as whether deception or confusion is likely is ultimately a single question of fact. In arriving at the conclusion of fact as to whether deception or confusion is likely, the court will have regard to:

- (a) the nature and extent of the reputation relied upon;
- (b) the closeness or otherwise of the respective fields of activity in which the plaintiff and the defendant carry on business;
- (c) the similarity of the mark, name etc. used by the defendant to that of the plaintiff;

- (d) the manner in which the defendant makes use of the name, mark etc. complained of and collateral factors; and
- (e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.

In assessing whether confusion or deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action.””

9) The first matter that I have to decide is the material date. It is well established that the material date for passing-off is the date of the behaviour complained of (see *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] RPC 429 and *Inter Lotto (UK) Ltd v Camelot Group PLC* [2004] RPC 8 and 9). Section 5(4)(a) is derived from article 4(4)(b) of First Council Directive 89/104 of December 21, 1998 which states:

“rights to a non-registered trade mark or to another sign used in the course of trade were acquired prior to the date of application for registration of the subsequent trade mark”.

Consequently, the material date cannot be after the date of application. As there is no evidence of use of the trade mark of Nisa, the material date for this case is the date of application, 1 April 2003.

10) At the hearing Mr Krause accepted that this case turns upon whether at the material date IFS enjoyed a goodwill by reference to the sign HERITAGE. If it did then a finding for IFS would follow automatically, if it did not then a finding for Nisa would follow (to all intents and purposes there will be identical signs, these will be used for identical goods and deception and damage will be inevitable).

11) Pumfrey J in *South Cone Inc v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* [2002] RPC 19 stated:

“27 There is one major problem in assessing a passing off claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the Registrar is entitled to be presented with evidence which at least raises a prima facie case that the opponent's reputation extends to the goods comprised in the applicant's specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under s 11 of the 1938 Act (see *Smith Hayden (OVAX)* (1946) 63 RPC 97 as qualified by *BALI* [1969] RPC 472). Thus the evidence will include evidence from the trade as to reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on.

28 Evidence of reputation comes primarily from the trade and the public, and will be supported by evidence of the extent of use. To be useful, the evidence must be directed to the relevant date.”

Professor Annand, sitting as the appointed person, in *Loaded* BL O/191/02, accepted that proof of goodwill could be accomplished by other means. The judgment of Jacob LJ in *Phones4U Ltd v Phone4u.co.uk Ltd* [2007] RPC 5 warns against applying a formulaic approach. This was commented upon by Richard Arnold QC, sitting as the appointed person, in *Aggregate Industries UK Limited v Cooper Clark Group Limited* BL O/178/06:

“15 As to point (ii), counsel for the applicant accepted that *REEF* does not establish that a claim for passing off will fail in the absence of trade evidence to support it. As Jacob LJ has recently explained in *Phones4U Ltd v Phone4u.co.uk Ltd* [2006] EWCA Civ 244 at [5], what a passing off claimant needs to do is to establish that he has built up a goodwill which the defendant is invading by a misrepresentation and accordingly what matters is what the claimant did to create a goodwill. Jacob LJ returned to this point at [33], saying that showing what had actually been done to publicise the name or badge relied upon was the key evidence and that in the case in question expert evidence was not required to infer from the proved use that the name must have been known to a substantial section of the public. As Jacob LJ explained, the test for establishing goodwill for the purposes of passing off is not the same as the test for establishing that a descriptive mark has acquired a distinctive character for the purposes of registration.”

12) Mr Marsh submitted that the bar had been lowered since *South Cone Inc* in respect of establishing goodwill. He pointed to decisions of the appointed persons in BL O/242/04 and BL O/199/06. I am not of the view that these cases have lowered the bar. The question is still the same; has an opponent established, on the balance of probabilities, that at the material date it enjoyed a protectable goodwill.

13) Mr Krause submitted that IFS has not established that at the material date it enjoyed the necessary goodwill. He commented that the turnover figures had been conglomerated and so it was not possible to identify the annual turnover. There is a gap in the exhibited material showing use of the sign; there was nothing between the matter for the period 26 May to 14 June 1997 and the material date, 1 April 2003. The advertising material for the period ending on 3 January 2004 emanates from well after the material date. Mr Krause noted that as well as their being no promotional material for a considerable time, there were no invoices. There could have been a hiatus in use, a hiatus that covered the material date. The failings of the evidence, in Mr Krause’s view, made it impossible to know. Mr Krause also submitted that use for a period may have been *de minimis*. The law of passing-off does not protect a trivial goodwill (*Hart v Relentless Records Ltd* [2003] FSR 36) but it does protect a limited goodwill (see for instance *Stannard v Reay* [1967] FSR 140, *Teleworks v Telework Group* [2002] RPC 27 *Stacey v 2020 Communications* [1991] FSR 49); so a small turnover can give rise to a protectable goodwill; although it might give rise to problems for a plaintiff in relation to establishing

damage. I commented that Mr Thewlis had stated that there had been continuous use of the sign. He states this in two witness statements (see paragraph 5 for the exact words). I asked Mr Krause if he was impugning the evidence of the witness, he replied that he was not. I asked if there was a question mark over the evidence of Mr Thewlis why there had not been a request for cross-examination or disclosure. Mr Krause responded that these courses of action could be expensive and would not be considered necessary if the other side had not established a prima facie case. Mr Krause noted the different get-up of the latest dated usage of the sign, which could indicate that there had been a re-launch. I have some sympathy with the arguments of Mr Krause; certainly it would have been helpful if IFS had given annual turnover figures, if there had been additional material showing use in the period from 15 June 1997 to 31 March 2003; whether in the form of publicity or invoices. As Mr Krause submitted, part of the problem has arisen from use of material that was not specific to this case, the honest concurrent use material. There are clear failings in the evidence but there are also two categorical statements. “Continually supplied” and “continued usage” cannot, in my view, be interpreted as potentially covering a hiatus in use. In another context, that of the interpretation of agreements, the House of Lords has held that words should be given their natural and ordinary meanings (*Investors Compensation Scheme Ltd v West Bromwich Building Society* [1998] 1 WLR 896 and *Bank of Credit and Commerce International SA (in liquidation) v Ali* [2001] UKHL/8, [2001] 1 All ER 961 (BCCI)). Mr Krause is inviting me to give the words of Mr Thewlis a meaning very different to their natural and ordinary meaning; indeed an antonymous meaning. I consider that I could only take the view that Mr Krause wanted if there was some firm basis so to do; arising from disclosure and/or cross-examination. I cannot see that either of these routes is particularly onerous. Of course, either of them could be very unhelpful to Nisa; they could reinforce the case of IFS. On the basis of the statements of Mr Thewlis, I accept that there was continuous use of the sign HERITAGE in relation to cider by IFS and that this gave rise at the material date to a protectable goodwill.

14) As I indicated above, Mr Krause accepted that if the goodwill was established then IFS would win its case. I find, therefore, that the application should be refused in respect of *cider*.

15) In the event that I am wrong in my finding above, and there was a hiatus, I go on to consider the concept of residual goodwill, a goodwill subsisting after the demise of a business and/or the discontinuance of use of a sign. This concept is well established (see *Star Industrial Company Limited v Yap Kwee Kor (Trading As New Star Industrial Company)* [1976] FSR 256, *Ad-Lib Club Limited v Granville* [1971] FSR1, *Thermawear Limited v Vedonis Limited* [1982] RPC 44 and *Sutherland v V2 Music Ltd* [2002] EMLR 28). In *Ad-Lib Club Limited v Granville* [1971] FSR1 Pennycuick VC stated:

“In support of that statement there is cited the case of *Norman Kark Publications Ltd. v. Odhams Press Ltd.*, [1962] 1 All E.R. 636; [1962] R.P.C. 163 in which the first paragraph of the headnote reads:

"In an action to restrain the use of a magazine or newspaper title on the ground of passing off the plaintiff must establish that, at the date of the user by the defendant of which the plaintiff complains, he has a proprietary right in the goodwill of the name, viz., that the name remains distinctive of some product of his, so that the use of the name by the defendant is calculated to deceive; but a mere intention on the part of the plaintiff not to abandon a name is not enough".

Wilberforce, J. went at length into the principles underlying proprietary right in goodwill and annexation of a name to goodwill and the laws of the right to protection of a name and on the facts of that particular case he held that the plaintiff company had lost its right in respect of the name TODAY as part of the title of a magazine.

It seems to me clear on principle and on authority that where a trader ceases to carry on his business he may nonetheless retain for at any rate some period of time the goodwill attached to that business. Indeed it is obvious. He may wish to reopen the business or he may wish to sell it. It further seems to me clear in principle and on authority that so long as he does retain the goodwill in connection with his business he must also be able to enforce his rights in respect of any name which is attached to that goodwill. It must be a question of fact and degree at what point in time a trader who has either temporarily or permanently closed down his business should be treated as no longer having any goodwill in that business or in any name attached to it which he is entitled to have protected by law.

In the present case, it is quite true that the plaintiff company has no longer carried on the business of a club, so far as I know, for five years. On the other hand, it is said that the plaintiff company on the evidence continues to be regarded as still possessing goodwill to which this name AD-LIB CLUB is attached. It does, indeed, appear firstly that the defendant must have chosen the name AD-LIB CLUB by reason of the reputation which the plaintiff company's AD-LIB acquired. He has not filed any evidence giving any other reason for the selection of that name and the inference is overwhelming that he has only selected that name because it has a reputation. In the second place, it appears from the newspaper cuttings which have been exhibited that members of the public are likely to regard the new club as a continuation of the plaintiff company's club. The two things are linked up. That is no doubt the reason why the defendant has selected this name."

Lord Parker in *Spalding and Brothers v AW Gamage Limited* [1915] 32 RPC 273 at page 284 stated:

"Even in the case of what are sometimes referred to as Common Law Trade Marks, the property, if any, of the so-called owner is of its nature transitory, and only exists so long as the mark is distinctive of his own goods in the eyes of the public."

Christopher Wadlow in *The Law of Passing-Off* (third edition) notes in relation to residual goodwill the importance of the intention to resume the business at the time that the business ceased. This is a case where there has been no cessation in business but Mr Krause posits the notion that there may have been an interruption in the use of the sign. In this case it is reasonable to infer, in my view, that the use of the sign in the winter of 2003 was indicative that the sign had not been abandoned, even if the use had stopped; there is certainly no evidence or indication to the contrary as per *Pink v J A Sharwood & Co Ltd* [1913] 30 RPC 725 where the books of the business were burnt and the assets disposed of. In *Ad-Lib Club Limited v Granville* Pennycuick VC stated that the issue of residual goodwill is a question of fact and degree. The longest period for which there could have been any relevant hiatus, for the purposes of this case, was from between sometime after 14 June 1997 and before 1 April 2003 (the material date). If the hiatus started at the earliest possible date then all the sales would have taken place in a period of about three years. The sales figures, whatever the total market for cider, would have been quite substantial for a three year period. If the hiatus was for a shorter period, the scale of the sales would be diluted but this would be balanced by the dilution of the period of the hiatus, the material date being closer to the date potential date of cessation of use. In considering the issue of goodwill one must bear in mind retailers as well as final customers (see *Ewing v Buttercup Margarine Co Ltd* [1917] 34 RPC 232). Retailers are likely to be repeat purchasers and be acutely aware of the brands that they serve, having to consider their success and failure in order to make a repeat order or refrain from a further order. However, they will be dealing with a large number of brands and, possibly, a large period of time may have passed. IFS's HERITAGE brand is also not one that has benefited from the kind of extensive publicity that would help to cement the name in the mind of the shopper or retailer.

16) An insurmountable problem, in my view, in dealing with this issue is the absence of specific evidence directed to the matter, which is not surprising as Mr Thewlis has stated upon two occasions that there was continuous use of the sign. If there was no issue as to interrupted use as far as Mr Thewlis was concerned, he would hardly file evidence in relation to the matter. (In *Ad-Lib Club Limited* the plaintiff could rely upon a good deal of fame and press evidence; of course, the plaintiff knew what it was necessary to establish.) If there had been a hiatus one does not even know its length. This is all speculation. The inevitable result of this insurmountable problem is that if I am wrong in finding that IFS has established continuous use of its sign, then it cannot rely upon residual goodwill in order to claim a protectable goodwill at the material date.

17) Mr Krause's submissions raised many questions and gave rise to many doubts in my mind. I have vacillated in deciding in which direction the decision should fall; it is certainly finely balanced. In the end I consider that IFS, on the balance of probabilities, just about established a protectable goodwill at the material date. **The application is to be refused under section 5(4)(a) of the Act in respect of cider.**

18) Independent Food Services Limited having been successful is entitled to a contribution towards its costs. I award costs upon the following basis (based upon the scale):

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|---|--------------|
| Opposition fee: | £200 |
| Statement of case: | £300 |
| Considering statement of case in reply: | £200 |
| Preparing and filing of evidence: | £250 |
| (This takes into account that a large part of the evidence was a copy of evidence already filed in relation to another matter.) | |
| Preparation and attendance at hearing: | £500 |
| TOTAL: | £1450 |

I order Nisa-Today's (Holdings) Limited to pay Independent Food Services Limited the sum of £1450. 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 16th day of January 2007

David Landau
For the Registrar
the Comptroller-General