

**O-141-15**

**TRADE MARKS ACT 1994**

**TRADE MARK APPLICATION No. 3015715**

**BY DIAMOND MIST LTD**

**TO REGISTER THE TRADE MARK**

**SHISHA TIME**

**IN CLASSES 5 & 34**

**AND**

**OPPOSITION No. 401430**

**BY SHISHA TIME LIMITED**

## **Background and pleadings**

1. On 29 July 2013, Diamond Mist LTD (“DML”) applied to register the trade mark Shisha Time (“the application”). It was accepted and published in the Trade Marks Journal on 27 September 2013 for the following goods:

Class 5: Cigarettes (Tobacco-free-) for medical purposes

Class 34: Electronic cigarettes

2. On 23 December 2013, Shisha Time Ltd (“STL”) filed a notice of opposition based on Sections 3 and 5(4)(a) of the Trade Marks Act 1994 (“the Act”). The section 3 ground was withdrawn upon the opponent filing their evidence in chief. Therefore, the opposition proceeds on the basis of their claim to an earlier common law right to the words SHISHA TIME for cigarettes (tobacco-free) for medical purposes, and electronic cigarettes. The opponent claims to have been selling the aforementioned goods under this sign since January 2013 throughout the UK, and to have acquired goodwill under the sign. Use of the application would therefore be a misrepresentation as to the commercial origin of its products which would cause damage to the opponent. Consequently, the opponent claims that such use should be restrained under the law of passing off.

3. DML filed a counterstatement putting the opponent to proof of their claim. They also made reference to their trade mark registration no. 3018934 for the mark “Shisha Times”. The existence of this registration has no relevance to these proceedings, and I shall say no more about it.

4. STL filed written submissions which will not be summarised but will be referred to as and where appropriate during this decision. DML have not filed evidence or written submissions. No hearing was requested and so this decision is taken following a careful perusal of the papers.

## **The evidence**

5. The opponent’s evidence consists of two witness statements.

### *Witness statement of Muhammad Haroon*

6. Mr Haroon is a Director of STL. This is a position he has held since April 2013. Mr Haroon is also a Director of Walworth Services Limited (“WSL”), a position he has held since December 2011.

7. Mr Haroon states that STL sources Shisha based e-cigarettes from China and is the exclusive distributor of said products within the UK. He goes on to say that

following the success of the SHISHA TIME brand under WSL, a new independent company was required. Mr Haroon claims that by July 2013, STL and WSL sold the following SHISHA TIME branded e-cigarettes. Quantities and turnover figures were produced as follows:

<b>Month/year</b>	<b>Quantity sold</b>	<b>Total net</b>
January 2013	3633	£5,150.20
February 2013	735	£1,126.50
March 2013	448	£844.25
April 2013	6610	£7,177.50
May 2013	10278	£15,527
June 2013	7216	£14,550
July 2013	6730	£8,945

8. Exhibit MH1 is a Companies House certificate of incorporation for STL. It states that the company was incorporated on 2 April 2013.

9. Exhibit MH2 are credit safe reports. Mr Haroon claims that they prove his directorship of each company.

10. Exhibit MH3 are a selection of advertisements which Mr Haroon states promote his e-cigarette products. The advertisements are not dated and there is no explanation as to where and when the advertisements were placed.

11. Exhibit MH4 are copies of receipts for the printing of the advertisements for exhibit MH3. The receipts are dated 18 January, 25 February and 8 April 2013. The exhibit also contains copies of HSBC business accounts which show that payment was made.

12. Exhibit MH5 is a witness statement from Wu Ting who is a director of IClub Trading Ltd ("IClub"). This is a position he has held since 2010. IClub are based in Hong Kong. Mr Ting states that his company have been supplying WSL, and later STL since January 2013. He states that Mr Haroon's companies are the exclusive UK distributor of the products branded SHISHA TIME. Mr Ting states since January 2013, Mr Haroon has made over 50 repeat orders and that IClub have supplied over 100,000 units.

13. Exhibit MH6 are copies of 9 invoices. The invoices relate to the sales of "shisha time infinity kits, liquid juice, classic puffs, pens and other items". The invoices are to businesses in Canterbury, Central London, Durham, Edinburgh, Hove, London, Manchester, Middlesex and Staffordshire. None of the invoices go to the same two customers.

14. Exhibit MH7 are undated photographs of the product packaging and point of sale material.

*Witness statement of Laura West*

15. Ms West is a trade mark attorney at Mathys & Squire LLP. They are the representatives for the opponent.

16. Exhibit LTW1 are a number of press articles and research reports showing how the e-cigarette products in question have become a “fad” or “craze” since 2012. The Irish Post article dated 19 February 2014 states that in 2013 the UK electronic cigarette market was worth approximately £193m.

**The law**

17. Section 5(4)(a) states:

“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.”

Halsbury’s Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165 provides the following analysis of the law of passing off. The analysis is based on guidance given in the speeches in the House of Lords in *Reckitt & Colman Products Ltd v. Borden Inc.* [1990] R.P.C. 341 and *Erven Warnink BV v. J. Townend & Sons (Hull) Ltd* [1979] AC 731. It 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 the 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.”

### **The relevant date**

18. Whether there has been passing-off must be judged at a particular point (or points) in time. In *Advanced Perimeter Systems Limited v Multisys Computers*

*Limited*, BL O-410-11, Mr Daniel Alexander QC, sitting as the Appointed Person, stated at paragraphs 39 to 42:

“In Last Minute, the General Court....said:

'50. First, there was goodwill or reputation attached to the services offered by LMN in the mind of the relevant public by association with their get-up. In an action for passing off, that reputation must be established at the date on which the defendant began to offer his goods or services (*Cadbury Schweppes v Pub Squash* (1981) R.P.C. 429).

51. However, according to Article 8(4) of Regulation No 40/94 the relevant date is not that date, but the date on which the application for a Community trade mark was filed, since it requires that an applicant seeking a declaration of invalidity has acquired rights over its non-registered national mark before the date of filing, in this case 11 March 2000.'

Paragraph 51 of that judgment and the context in which the decision was made on the facts could therefore be interpreted as saying that events prior to the filing date were irrelevant to whether, at that date, the use of the mark applied for was liable to be prevented for the purpose of Article 8(4) of the CTM Regulation. Indeed, in a recent case before the Registrar, *J Sainsbury plc v. Active: 4Life Ltd* O-393-10 [2011] ETMR 36 it was argued that Last Minute had effected a fundamental change in the approach required before the Registrar to the date for assessment in a s.5(4)(a) case. In my view, that would be to read too much into paragraph [51] of Last Minute and neither party has advanced that radical argument in this case. If the General Court had meant to say that the relevant authority should take no account of well-established principles of English law in deciding whether use of a mark could be prevented at the application date, it would have said so in clear terms. It is unlikely that this is what the General Court can have meant in the light of its observation a few paragraphs earlier at [49] that account had to be taken of national case law and judicial authorities. In my judgment, the better interpretation of Last Minute, is that the General Court was doing no more than emphasising that, in an Article 8(4) case, the *prima facie* date for determination of the opponent's goodwill was the date of the application. Thus interpreted, the approach of the General Court is no different from that of Floyd J in *Minimax*. However, given the consensus between the parties in this case, which I believe to be correct, that a date prior to the application date is relevant, it is not necessary to express a concluded view on that issue here.

There are at least three ways in which such use may have an impact. The underlying principles were summarised by Geoffrey Hobbs QC sitting as the Appointed Person in *Croom's TM* [2005] RPC 2 at [46] (omitting case references):

(a) The right to protection conferred upon senior users at common law;

- (b) The common law rule that the legitimacy of the junior user's mark in issue must normally be determined as of the date of its inception;
- (c) The potential for co-existence to be permitted in accordance with equitable principles.

As to (b), it is well-established in English law in cases going back 30 years that the date for assessing whether a claimant has sufficient goodwill to maintain an action for passing off is the time of the first actual or threatened act of passing off: *J.C. Penney Inc. v. Penneys Ltd.* [1975] FSR 367; *Cadbury-Schweppes Pty Ltd v. The Pub Squash Co. Ltd* [1981] RPC 429 (PC); *Barnsley Brewery Company Ltd. v. RBNB* [1997] FSR 462; *Inter Lotto (UK) Ltd. v. Camelot Group plc* [2003] EWCA Civ 1132 [2004] 1 WLR 955: "date of commencement of the conduct complained of". If there was no right to prevent passing off at that date, ordinarily there will be no right to do so at the later date of application.

19. In *SWORDERS TM O-212-06* Mr Allan James<sup>1</sup> acting for the Registrar well summarised the position in s.5(4)(a) proceedings as follows:

'Strictly, the relevant date for assessing whether s.5(4)(a) applies is always the date of the application for registration or, if there is a priority date, that date: see Article 4 of Directive 89/104. However, where the applicant has used the mark before the date of the application it is necessary to consider what the position would have been at the date of the start of the behaviour complained about, and then to assess whether the position would have been any different at the later date when the application was made.'

20. The filing date of the subject trade mark is 29 July 2013. There is no evidence to show when DML began using the mark so there is nothing to show when such use began or the extent of such use. Therefore, there is no pre-filing use to consider.

21. In view of the above, the relevant date is 29 July 2013.

## **Decision**

*Who owned the goodwill?*

22. The opponent in this matter is STL who were incorporated on 2 April 2013. Mr Haroon states that prior to STL being formed, the SHISHA TIME brand was sold via WSL. Mr Haroon explains<sup>2</sup> that: "There was a clear requirement for independent management of the growing business and I wanted to form a trading name that suitably represented the goodwill that had accrued in the brand to date." Further, in paragraph 5 of his witness statement, Mr Haroon states that "As of 2 April 2013, I

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<sup>1</sup> Endorsed by Mr Daniel Alexander QC as the Appointed Person in *Advanced Perimeter Systems Limited v Advanced Perimeter Systems Limited*, Case O-410-11

<sup>2</sup> Paragraph 4 of Mr Haroon's witness statement

operated the business under the name Shisha Time Limited and not Walworth Services Limited.”

23. Whilst there is no express transfer of the goodwill in SHISHA TIME from WSL to STL, I find that the inference of the above paragraph 4 of the witness statement is that Mr Haroon, the controlling mind of both companies, intended a seamless transfer of goodwill from WSL to STL. Mr Haroon states that the purpose of forming STL was to grow the SHISHA TIME brand. Therefore, by inference, there was a transfer of goodwill and I shall proceed on this basis. If I am found to be wrong in this approach, I shall also deal with the opposition on the basis that the goodwill was not transferred.

*Was there goodwill at the relevant date?*

24. In order for an opponent to succeed under a claim for passing off, the first issue is whether the opponent had built up sufficient goodwill under SHISHA TIME by the relevant date so as to be protectable under the law of passing off. In *Hart v Relentless Records*<sup>3</sup>, Jacob J. (as he then was) stated at paragraph 62 that:

“In my view the law of passing off does not protect a goodwill of trivial extent. Before trade mark registration was introduced in 1875 there was a right of property created merely by putting a mark into use for a short while. It was an unregistered trade mark right. But the action for its infringement is now barred by s.2(2) of the Trade Marks Act 1994. The provision goes back to the very first registration Act of 1875, s.1. Prior to then you had a property right on which you could sue, once you had put the mark into use. Even then a little time was needed, see per Upjohn L.J. in BALI Trade Mark [1969] R.P.C. 472. The whole point of that case turned on the difference between what was needed to establish a common law trade mark and passing off claim. If a trivial goodwill is enough for the latter, then the difference between the two is vanishingly small. That cannot be the case. It is also noteworthy that before the relevant date of registration of the BALI mark (1938) the BALI mark had been used “but had not acquired any significant reputation” (the trial judge’s finding). Again that shows one is looking for more than a minimal reputation.”

25. Relentless Records had issued around 1600 promotional records over a few years to 500 DJs hoping they would play the music in their clubs. There was no evidence of any actual sales, or even that the DJs had mentioned Relentless Records to the public if the records had been played. So the level of use in that case was truly trivial.

26. However, a small business which has more than a trivial goodwill can protect signs which are distinctive of that business under the law of passing off even though its reputation may be small. In *Stacey v 2020 Communications* [1991] FSR 49, Millett J. stated that:

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<sup>3</sup> [2003] FSR 36



“There is also evidence that Mr. Stacey has an established reputation, although it may be on a small scale, in the name, and that that reputation preceded that of the defendant. There is, therefore, a serious question to be tried, and I have to dispose of this motion on the basis of the balance of convenience.”<sup>4</sup>

27. The law of passing off protects small businesses as well as large. The dividing line is between a trivial goodwill and the goodwill of a small but real business. In *Lumos Skincare Ltd v Sweet Squared Ltd, Famous Names LLC, Sweet Squared (UK) LLP* the claimant had used the mark LUMOS for around three years prior to the defendant’s use of the same mark, both in relation to anti-ageing products. The claimant’s products sold for between £40 and £100 each. For most of the period the claimant had sold around £2k worth of products per quarter, rising to £10k per quarter during the year leading up to the defendant commencement of trade. The Court of Appeal upheld the judge’s finding at first instance that the goodwill was sufficient to be protected under the law of passing off.

28. In this instance, from the evidence I draw the following conclusions:

- The opponent began selling their products under the mark SHISHA TIME seven months prior to the relevant date.
- They sold 35,650 units. The units include, *inter alia*, e-cigarette pens, e-cigarette liquid, puff and associated e-cigarette items.
- Sales prior to the relevant date were £53,320.45. This results in sales after the relevant period in the region of £254,149.06.
- Total sales up to 8 September 2014 amounted to £307,469.51 (I shall explain the relevance of the sales after the relevant period below).
- Sales took place to news agents and stores are not just local sales, e.g. sales were made not just to London companies but also to customers in Edinburgh, Staffordshire, Durham and Canterbury.
- Whilst the invoices are to 9 different customers, the goods were likely to be sold separately and, therefore, the number of end users is likely to be in the hundreds. This increases the exposure of the mark.
- There is no evidence of repeat orders within the UK.
- There were repeat orders of the same goods from the Chinese manufacturer (around 50 repeat orders which totalled 100,000 units supplied).

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<sup>4</sup> See also: *Stannard v Reay* [1967] FSR 140 (HC); *Teleworks v Telework Group* [2002] RPC 27 (HC)

29. I find that the evidence is sufficient to establish that the opponent in this case had acquired a protectable goodwill under the mark SHISHA TIME by the relevant date. The opponent's evidence<sup>5</sup> shows that in 2013 the e-cigarette market was around £190m. The opponent's sales prior to the relevant date are modest given the overall size of the market. Further, there is no evidence of repeat orders from UK customers or, in fact, whether the goods were placed on the market. However, given the strong increase in sale figures after the relevant date, it is clear to me that the business was growing at a sufficiently strong rate to have created a protectable goodwill at the relevant date.

30. In reaching that there was protectable goodwill I am mindful of *Compass Publishing BV v Compass Logistics Ltd*<sup>6</sup> whereby the senior user was providing business consultancy services in relation to logistics for 10 months prior to the relevant date. Their turnover in this period was in the region of £144,000. For the services provided the turnover was not considered to be high. Furthermore, there was little advertising and only 7 UK customers. In that case, "the defendant had acquired just sufficient reputation to maintain a passing-off action"<sup>7</sup>.

31. In the present case, whilst the period of time the mark was being used is shorter (7 rather than 10 months) plus the turnover cannot be considered any higher or lower, the number of end users and exposure of the mark is significantly higher. Whilst there are 9 invoices going to various businesses in England and one in Scotland, the number of units sold under the name SHISHA TIME will be viewed by tens, if not hundreds of people. Further, the levels of sales since the relevant date prove that the business was developing at a strong rate. Accordingly, I am of the opinion that this case is on a par (probably moderately better) with the circumstances in the *Compass* case.

*What if there was no transfer of goodwill from WSL to STL?*

32. In paragraph 23 I concluded that the goodwill in SHISHA TIME began in January 2013, and then transferred to STL on 2 April 2013. However, if I am wrong that there was no transfer of goodwill, would STL have sufficient goodwill as of 2 April 2013? The short answer is, yes. I find that since 2 April 2013, STL accrued sufficient goodwill at the relevant date.

33. From 2 April 2013 to the relevant date, sales under the SHISHA TIME brand amount to £46,199.50. This was over a 4 month period. Whilst this is a relatively short period of time, sales after the relevant period show significant growth. On the balance of probabilities the growth in sales are likely to be due to repeat orders.

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<sup>5</sup> Exhibit LTW1 of Ms. West's witness statement

<sup>6</sup> [2004] RPC 41

<sup>7</sup> Paragraph 85

Further, the evidence shows sales in Durham, Manchester and Middlesex in this period<sup>8</sup>. Therefore, the use is not localised.

## **Misrepresentation**

34. In *Neutrogena Corporation and Another v Golden Limited and Another* [1996] RPC 473, Morritt L.J. stated that:

“There is no dispute as to what the correct legal principle is. As stated by Lord Oliver of Aylmerton in *Reckitt & Colman Products Ltd. v. Borden Inc.* [1990] R.P.C. 341 at page 407 the question on the issue of deception or confusion is

“is it, on a balance of probabilities, likely that, if the appellants are not restrained as they have been, a substantial number of members of the public will be misled into purchasing the defendants' [product] in the belief that it is the respondents'[product]”

The same proposition is stated in *Halsbury's Laws of England* 4th Edition Vol.48 para 148. The necessity for a substantial number is brought out also in *Saville Perfumery Ltd. v. June Perfect Ltd.* (1941) 58 R.P.C. 147 at page 175; and *Re Smith Hayden's Application* (1945) 63 R.P.C. 97 at page 101.”

35. The relevant section of the public is STL's customers and potential customers.

36. The marks at issue are identical. The class 34 goods are also identical. With regard to the applied for class 5 goods<sup>9</sup>, I am of the opinion that these are similar to e-cigarettes. Class 5 “cigarettes (tobacco-free-) for medical purposes” are intended to act as a substitute for nicotine users, often in an attempt to wean themselves off nicotine. I am also mindful that they could be smoked purely as an alternative to cigarettes by somebody who has never inhaled nicotine. Nevertheless, I am of the opinion that the goods are in competition with one another. Therefore, they are in a common field to the extent that the relevant public are likely to believe that use of the mark by DML may be that of STL, or that they are economically connected to that business.

37. In view of the marks being identical and the relevant public believing that the relevant class 34 goods being identical (some being similar), there is no question that use of the application would constitute a misrepresentation to the public. The misrepresentation is liable to deceive a substantial number of STL's customers or potential customers. This would inevitably damage STL's goodwill through the loss of sales to DML.

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<sup>8</sup> Exhibit MH6

<sup>9</sup> Cigarettes (Tobacco-free-) for medical purposes

## **Outcome**

**38. The opposition succeeds under section 5(4)(a) of the Act. The application is refused.**

## **Costs**

39. The opponent has been successful and is entitled to a contribution towards its costs. In the circumstances I award the opponent the sum of £1000 as a contribution towards the cost of the proceedings. The sum is calculated as follows:

Opposition fee	£200
Filing notice of opposition and considering the counterstatement:	£300
Filing evidence and written submissions:	£500

40. I therefore order Diamond Mist LTD to pay Shisha Time Ltd the sum of £1000. The above sum should 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 or withdrawn.

**Dated this 1<sup>ST</sup> day of April 2015**

**Mark King  
For the Registrar,  
the Comptroller General**