

O/095/21

TRADE MARKS ACT 1994

CONSOLIDATED PROCEEDINGS

IN THE MATTER OF REGISTRATION NO. UK00003336126

IN THE NAME OF AREA 51 E JUICE LIMITED FOR THE MARK:



IN CLASS 34

AND AN APPLICATION FOR A DECLARATION OF INVALIDITY THERETO
UNDER NO. 502647

BY LIQUID LABS LLC

AND IN THE MATTER OF APPLICATION NO. UK00003390900

BY AREA 51 E JUICE LIMITED FOR THE MARK:

Keep it 100 CBD

AND AN OPPOSITION THERETO UNDER NO. 416667

BY LIQUID LABS LLC

BACKGROUND AND PLEADINGS

1. Area 51 E Juice Limited (“Area 51”) is the owner of the following trade mark:



(“the Contested Mark”)

The Contested Mark was filed in the UK on 5 September 2018 and was registered on 23 November 2018.¹ It stands registered for the following goods:

Class 34 Liquid solutions for use with electronic cigarettes.

2. On 10 April 2019, Area 51 applied to register the trade mark **Keep it 100 CBD** in the UK (“the Contested Application”).² The Contested Application was published on 19 April 2019 and registration is sought for the following goods:

Class 34 Liquid solutions for use with electronic cigarettes.

3. On 20 June 2019, Liquid Labs LLC (“Liquid”) applied to have the Contested Mark declared invalid under section 47 of the Trade Marks Act 1994 (“the Act”). On the same date, Liquid opposed the Contested Application. Liquid relies upon sections 5(4)(a) and 3(6) for both the invalidation and the opposition. Liquid also relies upon section 5(4)(b) for the purposes of the invalidation.

4. Under section 5(4)(a), Liquid relies upon the following earlier unregistered signs:

¹ The Contested Mark was originally filed by Glamz Limited. It was assigned to Pal Singh Vig on 26 November 2018 and was subsequently assigned to Area 51 on 15 August 2019.

² The Contested Application was originally filed by Pal Singh Vig and was subsequently assigned to Area 51 on 15 August 2019.

KEEP IT 100 (“the First Earlier Sign”)



(“the Second Earlier Sign”)

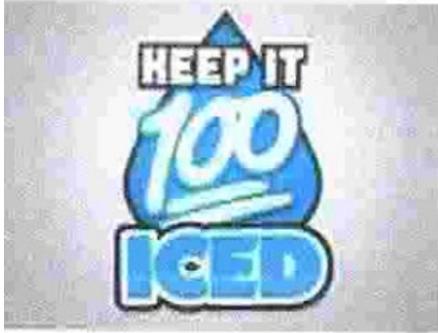


(“the Third Earlier Sign”)

Liquid claims to have used the First and Second Earlier Signs throughout the UK since 1 June 2017 and the Third Earlier Sign throughout the UK since February 2018. Liquid claims to have used all three earlier signs in relation to “Liquid solutions for electronic cigarettes”.

5. Under section 3(6), Liquid claims that Area 51 had prior knowledge of its earlier rights and that there is a prior business relationship by virtue of one of Liquid’s UK distributors.

6. Under section 5(4)(b), Liquid asserts that it is the owner of the following copyright works by virtue of an assignment dated 7 August 2019:



("the First Logo")



("the Second Logo")



("the Third Logo")

(together "the Works")

7. Area 51 filed counterstatements denying the claims made.

8. On 24 October 2019, the proceedings were consolidated pursuant to Rule 62(1)(g) of the Trade Marks Rules 2008.

9. Area 51 is represented by Wilson Gunn LLP and Liquid is represented by MW Trade Marks. Both parties filed evidence in chief. Liquid also filed evidence in reply. Neither party requested a hearing, but Area 51 filed written submissions in lieu. This decision is taken following a careful perusal of the papers.

EVIDENCE

10. Liquid filed evidence in chief in the form of the witness statements of Vishal Naik and Anne Wong. Mr Naik's statement was dated 25 November 2019 and was accompanied by 10 exhibits. Mr Naik is a Director of Liquid. Ms Wong's statement is dated 19 December 2019 and is accompanied by 3 exhibits. Ms Wong is the Trade Mark Attorney acting on behalf of Liquid in these proceedings. Liquid's evidence in chief was accompanied by written submissions dated 2 December 2019.

11. Area 51 filed evidence in chief in the form of the witness statement of Andrew Marsden dated 13 August 2020, which is accompanied by 8 exhibits. Mr Marsden is the Trade Mark Attorney acting on behalf of Area 51 in these proceedings. Area 51's evidence was accompanied by written submissions dated 13 August 2020.

12. Liquid filed evidence in reply in the form of the second witness statements of Ms Wong and Mr Naik, dated 13 October 2020 and 10 December 2020 respectively. These were both accompanied by 1 exhibit. Liquid's evidence in reply was accompanied by written submissions dated 13 October 2020.

13. Area 51 filed written submissions in lieu of a hearing dated 17 December 2020.

14. I have taken all of the evidence and submissions into consideration in reaching my decision. I do not propose to summarise it here; however, I will refer to it below where necessary.

DECISION

15. Sections 5(4) and 3(6) of the Act have application in invalidation proceedings by virtue of section 47 of the Act, which states 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) Subject to subsections (2A) and (2G), 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.

[...]

(5) Where the grounds of invalidity exist in respect of only some of the goods or services for which the trade mark is registered, the trade mark shall be declared invalid as regards those goods or services only.

(5A) An application for a declaration of invalidity may be filed on the basis of one or more earlier trade marks or other earlier rights provided they all belong to the same proprietor.

(6) Where the registration of a trade mark is declared invalid to any extent, the registration shall to that extent be deemed never to have been made: Provided that this shall not affect transactions past and closed.”

16. Although the UK has left the EU, section 6(3)(a) of the European (Withdrawal) Act 2018 requires tribunals to apply EU-derived national law in accordance with EU law as it stood at the end of the transition period. The provisions of the Trade Marks Act

relied on in these proceedings are derived from an EU Directive. This is why this decision continues to make reference to the trade mark case-law of EU courts.

My approach

17. Both the opposition and the invalidation are based upon sections 5(4)(a) and 3(6) of the Act. Liquid also relies upon section 5(4)(b) of the Act in relation to the invalidation only. I will begin by assessing the section 5(4)(a) ground in relation to both the invalidation and the opposition. I will then assess the section 5(4)(b) ground of invalidation. Finally, I will turn to the question of bad faith under section 3(6) in relation to both the invalidation and the opposition.

Section 5(4)(a)

18. Section 5(4)(a) of the Act states as follows:

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

a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, where the condition in subsection (4A) is met,

aa)...

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”.

19. Subsection (4A) of section 5 of the Act states:

“(4A) The condition mentioned in subsection (4)(a) is that the rights to the unregistered trade mark or other sign were acquired prior to the date of

application for registration of the trade mark or date of the priority claimed for that application.”

20. In *Discount Outlet v Feel Good UK*, [2017] EWHC 1400 IPEC, Her Honour Judge Melissa Clarke, sitting as a deputy Judge of the High Court, conveniently summarised the essential requirements of the law of passing off as follows:

“55. The elements necessary to reach a finding of passing off are the ‘classical trinity’ of that tort as described by Lord Oliver in the *Jif Lemon* case (*Reckitt & Colman Product v Borden* [1990] 1 WLR 491 HL, [1990] RPC 341, HL), namely goodwill or reputation; misrepresentation leading to deception or a likelihood of deception; and damage resulting from the misrepresentation. The burden is on the Claimants to satisfy me of all three limbs.

56. In relation to deception, the court must assess whether “*a substantial number*” of the Claimants’ customers or potential customers are deceived, but it is not necessary to show that all or even most of them are deceived (per *Interflora Inc v Marks and Spencer Plc* [2012] EWCA Civ 1501, [2013] FSR 21).”

Relevant date

21. 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, considered the relevant date for the purposes of s.5(4)(a) of the Act and stated as follows:

“43. In *SWORDERS TM* O-212-06 Mr Alan James 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.”

22. The first relevant dates that I must consider are the dates upon which the Contested Mark and Contested Application were filed i.e. 5 September 2018 and 10 April 2019 respectively. However, where the applicant or proprietor claims to have used a challenged mark before the filing date, it is necessary to consider what the position would have been at the date upon which the behaviour complained about commenced. In its written submissions in lieu, Area 51 states:

“[Liquid] claims first use/activity from June 2017. Whereas [Area 51] has proved that KEEP IT 100 was in use two years earlier in July 2015 by Ghulam Hussain via sales through I-Joy Limited. [Liquid] does not therefore have the ‘earlier right’ and there can be no passing off because there is no misrepresentation, [Area 51] is not passing its goods off as those of [Liquid]. The fact is that [Area 51] has protected by registration its rights in the KEEP IT 100 mark that it had first created and traded under as early as July 2015. The fact that the application for registration was made in the name of Glamz Limited, of which Ghulam Hussain is also the director, does not deprive [Area 51] of its earlier right to the KEEP IT 100 mark.

[Liquid] is not the senior user and the claim must therefore fail.”

23. It is, therefore, necessary for me to consider whether there is also an earlier relevant date for the purposes of the 5(4)(a) claim. Area 51 filed evidence to support its claim to first user in the form of Mr Marsden’s witness statement. In his evidence, Mr Marsden states:

“1. The information contained in this witness statement is from my own knowledge or information which is in the public domain, or from information provided to me by Ghulam Hussain of Area 51 E Juice Limited.”

24. In its written submissions filed with its evidence in reply, Liquid states:

“1. The evidence filed by Party B has been given by way of a witness statement by the Trade Mark Attorney of Party B. As it has been given by their legal representative, this is hearsay evidence and we submit that no account should be taken of the evidence. At the very least the evidence should be given only significantly reduced weight.”

25. I agree with Liquid that Mr Marsden’s evidence is (at least in part) clearly hearsay as he is attesting to information that he has obtained from a third party i.e. Mr Hussain. Section 1 of the Civil Evidence Act 1995 provides that evidence shall not be excluded from civil proceedings on the grounds that it is hearsay evidence. Mr Marsden’s evidence will, therefore, remain admissible. However, I must consider the weight to be attributed to Mr Marsden’s witness statement. Section 4 of the Civil Evidence Act 1995 states:

(1) In estimating the weight (if any) to be given to hearsay evidence in civil proceedings the court shall have regard to any circumstances from which any inference can reasonably be drawn as to the reliability or otherwise of the evidence.

(2) Regard may be had, in particular, to the following –

(a) whether it would have been reasonable and practicable for the party by whom the evidence was adduced to have produced the maker of the original statement as a witness;

(b) whether the original statement was made contemporaneously with the occurrence or existence of the matters stated;

(c) whether the evidence involves multiple hearsay;

(d) whether any person involved had any motive to conceal or misrepresent matters;

(e) whether the original statement was an edited account, or was made in collaboration with another or for a particular purpose;

(f) whether the circumstances in which the evidence is adduced as hearsay are such as to suggest an attempt to prevent proper evaluation of its weight.”

26. In its written submissions filed in lieu of a hearing, Area 51 did not comment upon the issue of hearsay or make any submissions with regard to the weight to be attributed to its evidence. I have considered the above factors and come to the conclusion that reduced weight should be placed upon the entirety of Mr Marsden’s narrative evidence. Whilst I recognise that he states that parts of the statement come from his own knowledge, he has not identified to which parts this relates. Consequently, I am unable to distinguish narrative evidence given from Mr Marsden’s own knowledge from narrative evidence based upon information given by Mr Hussain. However, I will place reasonable weight on the documentary evidence filed.

27. In any event, I do not consider that the evidence filed assists Area 51. Mr Marsden has provided a number of invoices which he states are all issued by or addressed to a company called I-Joy Limited (although not all are legible).³ All of the invoices reference “Keep it 100” in their descriptions. They are dated between March 2015 and June 2016. In his evidence, Mr Marsden states:

“3. Ghulam Hussain is a director of Area 51 E Juice Limited, Glamz Limited, and I-Joy Limited. Activity and trading under all of these companies is under the control of Ghulam Hussain. The company I-Joy Limited was incorporated on 4 April 2014, under this company Ghulam Hussain has supplied e-liquid products in the United Kingdom since as early as July 2015. Attached at Exhibit AM2 are details from Companies House.”

³ Exhibits AM3 to AM7

28. The Companies House print out confirms that Mr Hussain has been the sole director of I-Joy Limited since 4 April 2014.⁴ It is, of course, possible that there was an arrangement between Area 51 and I-Joy which meant that any goodwill generated belonged to Area 51. However, Mr Marsden has not confirmed whether any such arrangement was in place. Indeed, even if he had, it is likely that such evidence would be hearsay and attributed little weight in the absence of a statement from Mr Hussain himself.

29. In any event, I note that the invoices relate to the period between March 2015 and July 2016 only. This is more than two years prior to the prima facie relevant date for the Contested Mark and more than three years prior to the prima facie relevant date for the Contested Application. I note that Mr Marsden states that one of the “purchase invoices” was dated 22 July 2017.⁵ However, it is actually dated 22 July 2016. Further, the invoices issued by I-Joy amount to a relatively small amount (less than £5,000). The nature of the goods sold by the applicant are such that they would not remain in circulation for a long period of time. I have no evidence before me as to what happened in the period between 2016 and the prima facie relevant dates for the Contested Mark and the Contested Application. In *Casablanca Trade Mark*, O-349-16, Thomas Mitcheson QC, sitting as the Appointed Person, stated:

“35. I think it is clear from the remainder of §165 of the judgment of Kitchen LJ that generation of goodwill *by the applicant* is not required. This is because he goes on to explain that it is *the opponent* who must show that he had the necessary goodwill and reputation to render that use actionable *on the date that it* (i.e. the applicant’s use) *began*.”

36. This is entirely consistent with the more lengthy discussion on the topic in the decision of Daniel Alexander QC in the *Multisys case (Advanced Perimeter Systems Ltd v Keycorp Ltd [2012] R.P.C. 14)*. See the passage at §§35-45 which reviews many of the authorities which were cited to me, including the earlier *Croom* decision of Geoffrey Hobbs QC. It is correct that, as the

⁴ Exhibit AM2

⁵ Exhibit AM4 and paragraph 5 of the witness statement of Mr Marsden

Opponent pointed out, §49 of *Croom* refers to the build up of goodwill (rather than mere use) as justifying the designation of the senior user, but it does not appear that the precise point in issue in *Multisys* or the present case was in issue there, and in any event I consider that I am bound by *Assos* and I would have followed the later *Multisys* case anyway.

37. Accordingly the relevance of the activities of the applicant is limited to establishment of the date that the actionable use began. Once that date is established, the only question of goodwill arises in respect of the opponent's activities. As the Applicant in the present case pointed out, self-evidently it would only be in very exceptional circumstances that a party would have established goodwill at the very point in time at which it commenced the use complained of. The establishment of goodwill can take much longer. But the authorities recognise that it is the date that the activity commenced which is the crucial one, and so in my judgment it cannot be necessary for goodwill to have been accrued at that time.

38. That does not mean that it is irrelevant what happens after the first alleged date of commencement. Clearly if the activity ceased or changed materially between the date of commencement and the date of application for the trade mark then this must be taken into account, as it may mean that the true date of commencement of the activity complained of is later or that the activity complained of cannot properly be said to have properly commenced at all (if it was later abandoned). This is all a matter of fact and degree and is no doubt why Kitchen LJ expressed it as "*a matter which must be taken into account*" rather than being determinative of the issue. However it does not mean that what is required is anything more than the commencement of the activity which is carried on in such a way as to fix the date of assessment. There is no greater requirement to prove goodwill on that date. For this reason I do not consider that the Hearing Officer erred in law in her assessment."

30. I have no evidence of use (continuous or otherwise) between 2016 and the prima facie relevant dates. Taking all of the above factors into account, I do not consider that Area 51 has established its claim to first user. The only relevant dates I must consider

are, therefore, the application dates for the Contested Mark and the Contested Application as identified above.

Goodwill

31. In *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217 (HOL), goodwill was described in the following terms:

“What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start.”

32. In *South Cone Incorporated v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* [2002] RPC 19 (HC), Pumfrey J. 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 & Co. Ltd's Application (OVAX)* (1946) 63 R.P.C. 97 as qualified by *BALI Trade Mark* [1969] R.P.C. 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. Once raised, the applicant must rebut the prima facie case. Obviously, he does not need to show that passing off will not

occur, but he must produce sufficient cogent evidence to satisfy the hearing officer that it is not shown on the balance of probabilities that passing off will occur.”

33. However, in *Minimax GmbH & Co KG v Chubb Fire Limited* [2008] EWHC 1960 (Pat) Floyd J. (as he then was) stated that:

“[The above] observations are obviously intended as helpful guidelines as to the way in which a person relying on section 5(4)(a) can raise a case to be answered of passing off. I do not understand Pumfrey J to be laying down any absolute requirements as to the nature of evidence which needs to be filed in every case. The essential is that the evidence should show, at least prima facie, that the opponent’s reputation extends to the goods comprised in the application in the applicant’s specification of goods. It must also do so as of the relevant date, which is, at least in the first instance, the date of application.”

34. Mr Naik gives evidence that Liquid sells its products into the UK via distributors. Mr Naik confirms that Blue Horse MCR Ltd (“Blue Horse”) was a distributor between 1 March 2018 and 1 June 2018 and UK Vapor Warehouse Ltd (“UK Vapor”) was a distributor between 1 December 2017 and 1 June 2019.

35. Mr Naik confirms that sales of e-liquid under the Second and Third Earlier Signs in the UK are as follows:

Year	Approx. Turnover (£)	Volume (units) 1 100ml
2019 (to date)	£94,000	26,650
2018	£220,000	60,707
2017	£42,500	10,501

36. I recognise that only a proportion of these sales would have been prior to each relevant date.

37. Copies of sales orders to Blue Horse and UK Vapor have been provided.⁶ These are dated 5 December 2017, 6 March 2018, 22 March 2018, 18 April 2018, 11 May 2018, 14 May 2018, 18 June 2018, 18 June 2018, 6 August 2018, 11 September 2018, 20 December 2018, 2 January 2019, 4 February 2019, 12 February 2019 and 4 March 2019. All of these are dated prior to the relevant date for the Contested Application and a significant number of them are dated prior to the relevant date for the Contested Mark. Most of the invoices display the First Earlier Sign in the product description and all of them display the Second Earlier Sign on the sales orders. Mr Naik notes that some of the shipping addresses for the goods are located in the US. However, he confirms that the products were subsequently shipped to the UK for sale. Mr Naik confirms that these products were then sold throughout the UK.

38. Liquid has filed print outs from websites through which its goods are sold.⁷ However, these are either undated or dated after the relevant dates. However, I note that an amazon.co.uk print out selling liquid for electronic cigarettes bearing the following mark has reviews from customers dated 27 July 2018 and 18 May 2018:



39. I have given consideration to whether any goodwill generated would have accrued to Liquid or its distributors. No distribution agreements have been filed. However, the fact that there are clearly multiple distributors would suggest that the ownership of any goodwill is likely to remain with Liquid; it is Liquid that the public would perceive as

⁶ Exhibit VN3

⁷ Exhibits VN4 and VN5

being responsible for the products.⁸ Taking all of this evidence into account, I am satisfied that Liquid had a moderate degree of goodwill at the relevant dates in relation to liquid for electronic cigarettes. I consider that the First and Second Earlier Signs were distinctive of that goodwill at the relevant date. However, there is very little evidence in relation to the Third Earlier Sign. Consequently, I will proceed on the basis of the First and Second Earlier Signs only.

Misrepresentation and damage

40. 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.”

And later in the same judgment:

“.... for my part, I think that references, in this context, to “more than *de minimis*” and “above a trivial level” are best avoided notwithstanding this court's reference to the former in *University of London v. American University of London* (unreported 12 November 1993). It seems to me that such expressions

⁸ *Medigen v Passion for Life* [2001] FSR 30

are open to misinterpretation for they do not necessarily connote the opposite of substantial and their use may be thought to reverse the proper emphasis and concentrate on the quantitative to the exclusion of the qualitative aspect of confusion.”

41. *Halsbury's Laws of England* Vol. 97A (2012 reissue) provides further guidance with regard to establishing the likelihood of deception. In paragraph 309, 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 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.”

42. The Contested Application consists of the words “Keep It 100 CBD”. The First Earlier Sign consists of the words “KEEP IT 100”. Ms Wong has provided a print out from a website called vapeukcbd.co.uk which states:

“The law changed on 13th October 2016 in the UK to enable CBD products to be recognised as a medicine [...]. Numerous studies have been carried out, and standards have been established to ensure the quality and safety of CBD, and protect people’s health and well-being. Any licensed CBD containing product can now legally be considered by the MHRA [...] to be medicinal. However, to date, no official licenses have been granted to CBD products and, as such, they are currently legally classified as food supplements.

[...]

Cannabidiol (CBD) is one of over 100 active cannabinoids [...] found in the cannabis plant. It is second only to THC for its abundance within the plant, and accounts for up to 40% of the plant’s make up.”⁹

⁹ Exhibit AW3

43. I recognise that there may be a proportion of the relevant public who recognise the letters “CBD” as being descriptive of the nature of the goods. For that proportion, the letters “CBD” will be attributed little significance. However, even for those consumers who do not know the meaning of the letters “CBD” the First Earlier Sign will still be highly similar to the Contested Application. The Contested Mark and the Second Earlier Sign are similar to the extent that they contain the words KEEP IT 100 presented in the same font and position, on a tear drop background. However, there is a difference created by the use of colour in each sign and the additional words “ICED” and duplicate “KEEP IT 100” in the Contested Mark. Overall I consider the marks to be similar to between a medium and high degree. Clearly, the parties are in the same field of activity. The relevant public will be members of the general public who use electronic cigarettes. I recognise that I have found Liquid to have only a moderate degree of goodwill at the relevant date. However, notwithstanding this, I consider that the similarity between the marks as well as the identical fields of activity within which the parties operate will lead to a likelihood that a substantial number of members of the relevant public will be misled by the use of both the Contested Mark and the Contested Application. I consider that the relevant public are likely to purchase Area 51’s goods in the mistaken belief that they are the goods of Liquid. Given the identical fields of business within which the parties operate, it is clear that there is a likelihood of damage arising through loss of sales and diversion of business.

44. The application for invalidity and the opposition based upon section 5(4)(a) succeed in their entirety.

Section 5(4)(b)

45. I will now consider the section 5(4)(b) ground of invalidation in relation to the Contested Mark.

46. Section 5(4)(b) of the Act states:

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

(a) [...]

(b) by virtue of an earlier right other than those referred to in subsections (1) to (3) or paragraph (a) above, in particular by virtue of the law of copyright, design right or registered designs.”

47. Section 1 of the Copyright, Designs and Patents Act 1988 (“CDPA”) provides for copyright to subsist in original artistic works. Section 4 CDPA further provides:

“4 – Artistic works.

(1) In this Part “*artistic work*” means –

(a) a graphic work, photograph, sculpture or collage, irrespective of artistic quality,

[...]

(2) In this Part –

[...]

“*graphic work*” includes –

(a) any painting, drawing, diagram, map, chart or plan [...]

48. I accept that, in principle, the Works identified by Liquid qualify for copyright protection as graphic works under the above provisions. Mr Naik gives evidence that the Works were created for Liquid on 20 February 2017, 26 July 2017 and 18 February 2018 respectively. Given the dates on which it is claimed that the works were created, if they qualify for copyright protection in the UK the relevant dates in these proceedings would fall within the terms of copyright protection.

49. Mr Naik has provided a copy of an assignment dated 7 August 2019 which confirms:

- a) The graphic designer who created the Works is a national of the United States;
- b) Liquid was, at the time of the assignment, located in the United States; and
- c) The document confirms that the Works were created for Liquid and that they are the owner of the copyright in the Works from the date of creation.¹⁰

50. I am satisfied that the Works were first created in the United States on 20 February 2017, 26 July 2017 and 18 February 2018 respectively and that they were subsequently assigned to Liquid.

51. Section 22 of the Intellectual Property Act 2014 states that section 159 of the CDPA should be read as meaning that:

“(1) Where a country is a party to the Berne Convention or a member of the World Trade Organisation, this Part, so far as it relates to literary, dramatic, musical and artistic works, films and typographical arrangements of published editions –

- (a) applies in relation to a citizen or subject of that country or a person domiciled or resident there as it applies in relation to a person who is a British citizen or is domiciled or resident in the United Kingdom.”

52. The United States is both a party to the Berne Convention and a member of the World Trade Organisation. It follows that Liquid has the same rights in the UK as would a British national. A British national would be entitled to protect the copyright in the Works by virtue of section 154 of the CDPA. Liquid’s copyright in the Works is therefore enforceable in the UK under the CDPA.

¹⁰ Exhibit VN2

53. Section 17 of the CDPA states that:

“(1) The copying of the work is an act restricted by the copyright in every description of copyright work; and references in this Part to copying and copies shall be construed as follows.

(2) Copying in relation to a literary, dramatic, musical or artistic work means reproducing the work in any material form.”

54. The Contested Mark is identical to the First Logo, save for the addition of the words “KEEP IT 100” presented above it. The additional words “KEEP IT” are presented in the same white font as those that appear in the First Logo, and the additional number “100” is underlined and presented in red. There are also clear similarities between the Contested Mark and the Second and Third Logos. The same fonts are used throughout, as is the teardrop device background. To my mind, the similarities between the Contested Mark and the Works are such that they present a prima facie case of copying. No explanation is provided as to how Area 51 came to choose the Contested Mark, which is clearly very similar to the Works. I recognise that there is reference to use made by a company called I-Joy (as discussed above). This may be relevant to the claim under 5(4)(b) because Liquid must show that there has been ‘copying’ from Liquid’s copyright works in order for it to be successful under section 5(4)(b). However, the use made by I-Joy relates to the word-only mark. I note that Mr Marsden has provided images of products which he states were sold by I-Joy. However, these are undated and, for the reasons set out above, I am unable to place significant weight on Mr Marsden’s narrative evidence. In the absence of any justification or explanation, I find that the Contested Mark was copied from Liquid’s copyright works and that they represent an unlawful reproduction of the Works. It follows that use of the Contested Mark would be contrary to the CDPA.

55. The application for invalidation based upon section 5(4)(b) succeeds in its entirety.

Section 3(6)

56. I will now consider Liquid's bad faith claim which relates to both the opposition and the invalidation.

57. Section 3(6) of the Act states:

“(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

58. The relevant case-law covering trade mark applications made in bad faith can be found in the following cases: *Chocoladefabriken Lindt & Sprüngli*, CJEU, Case C-529/07, *Malaysia Dairy Industries*, CJEU, Case C-320/12, *Koton*, CJEU, Case C-104/18P, *Sky v Skykick*, CJEU, Case C-371/18, *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Limited* and others, [2009] RPC 9 (approved by the Court of Appeal in England and Wales: [2010] RPC 16), *Trump International Limited v DDTM Operations LLC*, [2019] EWHC 769 (Ch), *Copernicus-Trademarks v EUIPO*, General Court of the EU, Case T-82/14, *Daawat Trade Mark, The Appointed Person*, [2003] RPC 11, *Saxon Trade Mark*, [2003] EWHC 295 (Ch), *Mouldpro ApS v EUIPO*, General Court of the EU, Case T-796/17, *Alexander Trade Mark, The Appointed Person*, BL O/036/18, *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch) and *Sky v Skykick* [2020] EWHC, 990 (Ch).

59. The law appears to be as follows:

- (a) While in everyday language the concept of 'bad faith' involves a dishonest state of mind or intention, the concept of bad faith in trade mark law must be understood in the context of trade: *Sky* CJEU.
- (b) Applying to register a trade mark without an intention to use it is not bad faith *per se*. Therefore, it is not necessary for the trade mark applicant to be using, or have plans to use, the mark in relation to all the goods/services covered by the specification: *Sky* CJEU.

- (c) The bad faith of the trade mark applicant cannot, therefore, be presumed on the basis of the mere finding that, at the time of filing his or her application, that applicant had no economic activity corresponding to the goods and services referred to in that application: *Sky* CJEU.
- (d) However, where the trade mark application is filed without an intention to use it in relation to the specified goods and services, and there is no rationale for the application under trade mark law, it may constitute bad faith. Such bad faith may be established where there are objective, relevant and consistent indications showing that the applicant had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark: *Sky* CJEU.
- (e) This may be the case where the exclusive right was sought as part of a strategy of using widely cast trade mark registrations as legal weapons for use against others in opposition proceedings and/or for the purposes of blocking applications by third parties: *Sky* EWHC and *Copernicus-Trademarks v EUIPO*.
- (f) A trade mark may be applied for in good faith in relation to some of the goods/services covered by the application, and in bad faith as regards others: *Sky* CJEU.
- (g) This may be the case where the trade mark applicant has included a specific term in the specification, such as ‘computer games’, with no intention of using the mark in relation to any such goods, simply to obstruct third parties from using or registering the same mark, or similar marks. It may also be the case where the applicant has included a broad term, such as ‘computer software’, with the intention of using the mark in relation to a particular sub-category of such goods/services, but no intention of using the mark in relation to all the other (sometimes very different) sub-categories of goods/services covered by the broad term, with the objective of obstructing third parties from using or registering the mark in relation to such goods/services: *Sky* EWHC.

(h) In deciding whether there was a rationale for registering the trade mark in relation to any particular term, it is necessary to bear in mind that trade mark proprietors have a legitimate interest in seeking protection in respect of goods or services in relation to which they may wish to use the trade mark in future (even if there were no plans to use the mark in relation to the goods/services at issue at the time of filing the application): *Sky EWHC*. It is therefore relevant to consider whether the goods/services in the contested application are related to those for which the mark has been used, or for which the applicant had plans to use the mark.

60. The following points are apparent from the pre-*Sky* case-law about registering trade marks in bad faith:

(a) Although it may be a relevant factor, the mere fact that the trade mark applicant knew that another party was using the trade mark in another territory does not establish bad faith: *Malaysia Dairy Industries*.

(b) Similarly, the mere fact that the trade mark applicant knew that another party used the trade mark in the UK does not establish bad faith: *Lindt, Koton* (paragraph 55). The trade mark applicant may have reasonably believed that it was entitled to apply to register the mark, e.g. where there had been honest concurrent use of the marks: *Hotel Cipriani*.

(c) However, an application to register a mark is likely to have been filed in bad faith where the trade mark applicant knew that a third party used the mark in the UK, or had reason to believe that it may wish to do so in future, and intended to use the trade mark registration to extract payment/consideration from the third party, e.g. to lever a UK licence from an overseas trader: *Daawat*, or to gain an unfair advantage by exploiting the reputation of a well-known name: *Trump International Limited*.

(d) An application may also have been filed in bad faith where the trade mark applicant acted in breach of a general duty of trust as regards the interests of

another party, including his or her own (ex) company or (ex) partners, or a party with whom there is, or had recently been, a contractual or pre-contractual relationship, such as a licensor, prospective licensor or overseas principal: *Saxon, Mouldpro*; or where a legal agreement prohibits such a filing.

61. The correct approach to the assessment of bad faith claims is as follows. According to *Alexander Trade Mark*, the key questions for determination in such a case are:

(a) What, in concrete terms, was the objective that the trade mark applicant has been accused of pursuing?

(b) Was that an objective for the purposes of which the contested application could not be properly filed? and

(c) Was it established that the contested application was filed in pursuit of that objective?

62. The trade mark applicant's intention (i.e. objective) is a subjective factor which must be determined objectively by the competent authority. An overall assessment is required, which must take account of all the factual circumstances relevant to the particular case: *Lindt*.

63. The matter must be judged at the relevant date, which is the date of the application for registration: *Lindt*. In this case, the relevant date for the invalidation will be 5 September 2018 and for the opposition will be 10 April 2019.

64. It is necessary to ascertain what the trade mark applicant knew at the relevant date: *Red Bull*. Evidence about subsequent events may be relevant, if it casts light backwards on the position at the relevant date: *Hotel Cipriani*.

65. A statement on the application form that the mark is in use, or there is a *bona fide* intention to use it may, if untrue, provide evidence supporting a bad faith case, but is not sufficient by itself to justify the refusal or cancellation of the registration: *Sky* CJEU.

66. An allegation of bad faith is a serious allegation which must be distinctly proved, but in deciding whether it has been proved, the usual civil evidence standard applies (i.e. balance of probability). This means that it is not enough to establish facts which are as consistent with good faith as bad faith: *Red Bull*.

67. In its pleadings, Liquid states:

“Liquid Labs has used two UK distributors to sell their KEEP IT 100 e-liquid in the UK, one of which is the registered proprietor Pal Singh Vig. Pal Singh Vig placed his first order with Liquid Labs on 22 March 2018. However the relationship with Pal Singh Vig has not gone well. When Pal Singh Vig found out that he was not the exclusive distributor for the products, he reacted badly and angrily. As a result, Pal Singh Vig retaliated by taking assignment of the contested registration for Liquid Labs’ trade mark. The effective date of the assignment is given as 26 November 2018. Subsequently, on 10 April 2019, Pal Singh Vig filed an application to register the word mark Keep It 100 CBD Application No 3390900 which is also a mark owned by Liquid Labs. The Cancellation Applicant has opposed Application No 3390900.”

68. The Contested Mark was originally filed by a company called Glamz Limited. I note Liquid’s comments regarding the assignment to Mr Vig. However, it is the position at the relevant date that I must consider. I have no evidence or explanation before me as to the relationship between Glamz Limited and Mr Vig/Blue Horse MCR Ltd (if any). Even if the party that filed for the Contested Mark had known of Liquid’s use in the UK, mere knowledge of that use is not sufficient, by itself, to amount to bad faith.¹¹ In the absence of any further evidence relating to the intention of the party that filed for the Contested Mark or the relationship between that party and Liquid, I do not consider that Liquid has established a prima facie case of bad faith in relation to the Contested Mark.

¹¹ See paragraph 189 of Arnold J’s judgment in *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Limited* [2008] EWHC 3032 (Ch)

69. The Contested Application was filed by Mr Vig. Mr Naik has provided a transcript of a WhatsApp conversation between himself and Mr Vig prior to the relevant date for the Contested Application.¹² On 18 February 2019, the conversation went as follows:

Mr Vig - "I start bussiness [sic] with u my brother keep 100 for me u r keep 100."

Mr Naik – "I know"

Mr Vig – "But garry is not happy if u start with me because he don't like any one. I always trust u bro. One more think [sic] many companies like to we can bottled here r u like if v do bottling here"

Mr Naik – "Only maybe bottle there. But I have to fly there to see facility"

[...]

Mr Vig - "Make sure u start bussiness [sic] with us. With garry u sorted bro he never say u work together"

Mr Naik – "Dean did everything with Gary."

Mr Vig – "But u can start me now"

Mr Naik – "I'll call"

70. On 22 February 2019, the conversation continued:

Mr Vig – "8.99 free shipping."

Mr Naik – "That's no good."

Mr Vig – "Even I have 50ml people sell 14.99"

¹² Exhibit VN10

Mr Naik – “How do we fix this? This is bad.”

Mr Vig – “Bro every one no [sic] he is brand killer u no [sic] how I call people if sell cheap I am not suplying [sic] but garry not bothor [sic] who pay him cash he supply any price cost to cost also. U c I don't have from u last six months so who sell cheap”

Mr Naik – “We have to fix this.”

Mr Vig – “How you think we can fix. If you still supply garry not possible.”

Mr Naik – “I don't know. Let all stock disappear then relaunch. But hold price. Are you going to Barcelona in July? I will be there.”

Mr Vig - “Bro u don't understand before u said I sell cheap but now u c I am not ur distro still sell cheap. I can move 10 to 15 thousand with good price but need only one person sell. Yes. U allready [sic] try garry lets try me 1 year c difference. I have many more plan also. My marketing team is in usa. He have big chanel [sic] in all our world.”

Mr Naik – “Ok I'm going to go with you. But we need to hold pricing. Not sell too cheap.”

Mr Vig – “First three months v need to wait [sic] garry finish his stock and v clear ur old packjng [sic] than v make new packjng [sic] and v hold good price and make value of brand. I work with many big usa brands.”

Mr Naik – “Ok. [...] I agree.”

Mr Vig – “Blue horse marketing team in usa”

71. Then, on 25 February 2019, Mr Naik stated:

“We let stock dry up. Then we start working again ok? Let stock run out then we come in with controlled pricing.”

72. This conversation appears to support Liquid’s position that it had a prior business relationship with Mr Vig/Blue Horse MCR Ltd. I consider that this prior business relationship supports Liquid’s prima facie case of bad faith. Liquid’s case has not been answered by Area 51. Area 51 has not disputed that Mr Vig acted for Blue Horse MCR Ltd (a distributor for Liquid). Mr Marsden does not make any reference to the bad faith claim in his evidence. In its written submissions in lieu, Area 51 simply states:

“For the reasons set out above, the bad faith claim must also fail. As the senior user of the mark Party B has not acted in bad faith in seeking registration of the marks.”

73. Taking all of this into account, I consider that to apply to register a trade mark that you know to be used by a party with which you have a commercial relationship (as a distributor) falls below the ordinary standards of honest people. Consequently, I consider that the Contested Application was filed in bad faith.

74. The opposition based upon section 3(6) succeeds in its entirety.

75. The application for invalidation based upon section 3(6) is dismissed.

CONCLUSION

76. The application for invalidation directed against the Contested Mark is successful. Under section 47(6) of the Act, the registration is deemed never to have been made.

77. The opposition directed against the Contested Application is successful and the application is refused.

COSTS

78. Liquid has been successful and is entitled to a contribution towards its costs based upon the scale published in Tribunal Practice Notice 2/2016. In the circumstances, I award the applicant the sum of **£1,850**, calculated as follows:

Preparing statements and considering Area 51's statements	£450
Filing evidence and submissions and considering Area 51's evidence	£1,000
Official fee (x2)	£400
Total	£1,850

79. I therefore order Area 51 E Juice Limited to pay Liquid Labs LLC the sum of £1,850. This sum should be paid within 21 days of the expiry of the appeal period or, if there is an appeal, within 21 days of the conclusion of the appeal proceedings.

Dated this 8th day of February 2021

S WILSON

For the Registrar