

O-0721-24

TRADE MARKS ACT 1994

CONSOLIDATED PROCEEDINGS

IN THE MATTER OF

TRADE MARK REGISTRATION NO 3420178

**IN THE NAME OF SHANTOU CHENGHAI KURUI TRADING CO., LTD AND
AN APPLICATION TO CANCEL THAT REGISTRATION (UNDER NO 505734) BY
JAMES GALT & CO LTD**

&

TRADE MARK APPLICATION NO 3832171

**IN THE NAME OF JAMES GALT & CO LTD AND OPPOSITION THERETO
(UNDER NO. 439068)**

BY SHANTOU CHENGHAI KURUI TRADING CO., LTD

BACKGROUND

1) This dispute concerns two consolidated cases; one case is an opposition, the other is an application for cancellation. The parties to the dispute are James Galt & Co. Ltd ('Party A') and Shantou Chenghai Kurui Trading Co., Ltd ('Party B').

The opposition by Party B to Party A's trade mark application

2) On 22 September 2022, Party A applied to register the following trade mark:

Trade Mark No. 3832171 ('171')

WATER MAGIC

Class 16: Stationery; children's activity books; colouring books; pencils for colouring; painting pencils; art and craft paint kits; painting sets for children.

Class 28: Toys, games and plaything; activity kits for children; hobby craft kits for children.

3) Party A's application was published in the Trade Marks Journal on 25 November 2022 for opposition purposes and subsequently opposed by Party B on 06 February 2023. The latter claims that the application offends under section 5(2)(a) of the Trade Marks Act 1994 ('the Act'). The opposition is directed against the goods in class 28 of Party A's application only¹. The following registered trade mark is relied upon, which is an 'earlier mark' as per section 6 of the Act:

Trade Mark No: 3420178 ('178')

Water Magic

¹ As per the answer to Q4 of the Form TM7.

Class 28: Jigsaw puzzles; Toy vehicles; Mobiles [toys]; Parlor games; Practical jokes [novelties]; Building blocks [toys]; Toys; Toy camera; Toy watch; Smart toys; Toy car; Toy models; Toy figures; Controllers for toys; Drawing toys.

Filing date: 09 August 2019

Date of entry in the register: 01 November 2019 ²

4) Party A filed a counterstatement in which it admits similarity between the respective marks. It submits that there is some similarity and some dissimilarity between the respective goods. It also denies the validity of the earlier mark, referring to its application for cancellation filed against the same (details of which are set out below).

The ‘application for cancellation’ filed by Party A against Party B’s trade mark registration

5) On 19 January 2023, Party A filed an application to cancel Party B’s trade mark registration ‘178. It is claimed that the registration offends under Section 5(4)(a) of the Act.

6) Party A claims that it has used the sign, WATER MAGIC, throughout the UK since at least 2007 in relation to ‘Stationery, children’s activity books, colouring books, pencils for colouring, painting pencils, art and craft paint kits, painting sets for children’ and ‘Toys, games and plaything; activity kits for children; hobby craft kits for children’. It is claimed that use of Party B’s trade mark registration will lead to misrepresentation and damage to the goodwill vested in Party A’s business, including damage through loss of sales.

7) Party B filed a counterstatement denying the opponent’s claims and requesting proof of goodwill. Party B claims that it has used its mark since 2013 in the marketplace. It is noted that, in its original Form TM8 and counterstatement, Party B refers to attached Annexes (1-5) which are said to show the use that it has made of

² As Party B’s mark had not been registered for five years or more at the application date of Party A’s mark, it is not subject to the proof of use conditions, as per section 6A of the Act.

its mark. Party B was informed, in the official letter of 27 April 2023, that as the content of Annexes 1-5 constituted evidence, this should be removed from the counterstatement and re-filed at the appropriate time (during the subsequent evidence rounds) under cover of a witness statement and only then would the Annexes be considered. Party B did not remove the Annexes within the time allowed. I note that the Tribunal then proceeded to remove the Annexes itself, again informing Party B that the content of the Annexes could only be considered if they were re-filed in proper evidential format later in the proceedings. Party B did not avail itself of the opportunity to re-file the relevant Annexes in the appropriate format during the subsequent evidence rounds. Having looked at the content of the original Annexes that were filed with the counterstatement, I should point out that, even if they had been re-filed in the correct format, they would not have assisted Party B in these proceedings given that none of the content of the Annexes shows any use in the UK prior to the relevant date of 09 August 2019 (being the filing date of mark '178).

8) Given the relationship between the opposition and the application for cancellation, they were consolidated after receipt of the Form TM8 and counterstatement in each case. Only Party A filed evidence. That evidence consists of a witness statement in the name of Mr David John Bate with exhibits DJBEX1 – DJBEX12 thereto. Party B has filed nothing beyond its Form TM8 (in defence of the cancellation) and Form TM7 (in the opposition) in the consolidated cases. Neither party requested a hearing. Party A filed submissions in lieu³. I now make this decision based on the papers before me.

9) The provisions of the Act relied upon in these proceedings are assimilated law, as they are derived from EU law. Although the UK has left the EU, section 6(3)(a) of the European Union (Withdrawal) Act 2018 (as amended by Schedule 2 of the Retained EU Law (Revocation and Reform) Act 2023) requires tribunals applying assimilated law to follow assimilated EU case law. That is why this decision refers to decisions of the EU courts which predate the UK's withdrawal from the EU.

³ Dated 17 November 2023

APPROACH

10) If Party A's application for cancellation against Party B's trade mark registration is successful, Party B's opposition will automatically fail for want of a valid earlier right. It therefore makes sense to begin by considering Party A's application for cancellation first before considering, if necessary, Party B's opposition.

PARTY A'S APPLICATION FOR CANCELLATION AGAINST PARTY B'S MARK

Section 5(4)(a)

11) Section 47(2)(b) of the Act states that:

“(2) the registration of a trade mark may be declared invalid on the ground—

(a)...

(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.”

And 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.”

12) 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).”

The relevant date

13) In *Advanced Perimeter Systems Limited v Multisys Computers Limited*, BL O-410-11, Mr Daniel Alexander QC as the Appointed Person considered the relevant date for the purposes of section 5(4)(a) of the Act and concluded 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.”

There is no evidence that Party B has made any use of its mark prior to the date on which its registration was filed. The relevant date for assessing the passing off claim is therefore the filing date of that mark, namely, **09 August 2019**.

Goodwill

14) The concept of goodwill was considered by the House of Lords in *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217:

“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.”

15) In terms of the evidence that is required to establish the existence of goodwill, 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 of 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.”

16) 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.”

17) In *Hart v Relentless Records* [2002] EWHC 1984 (Ch), Jacob J. (as he then was) stated that:

“62. 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.”

18) 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:

“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.”

See also: Stannard v Reay [1967] FSR 140 (HC); *Teleworks v Telework Group* [2002] RPC 27 (HC); *Lumos Skincare Limited v Sweet Squared Limited and others* [2013] EWCA Civ 590 (COA).

19) Party A must show that it had goodwill in a business at the relevant date of **09 August 2019** and that the sign relied upon is associated with, or distinctive of, that business.

20) Party A's evidence in support of its claim to own the necessary goodwill, comes from Mr Bate. I summarise some of the most pertinent parts of Mr Bate's narrative evidence and exhibits below:

- The opponent was incorporated in 1914. It is a member of the British Toy and Hobby Association which, according to Mr Bate, demonstrates the opponent's commitment to adhering to the highest standards of toy design.

- The opponent started using the sign WATER MAGIC in around 2007 and has used that sign continuously since. It is said that the sign has been used in relation to toys and stationery.
- Sales pertaining to WATER MAGIC products between 2007 and 2019 were as follows:

Year	UK Sales (£)
2007	20,728
2008	63,864
2009	91,216
2010	141,946
2011	146,460
2012	128,377
2013	191,958
2014	337,810
2015	506,834
2016	715,838
2017	1,200,441
2018	1,560,237
2019	1,936,981
<u>Total</u>	<u>7,042,690</u>

- Prints from the opponent's website, from various points in time dating back to September 2015, obtained via the Wayback Machine, are provided⁴. The prints show various toys and playthings for children including WATER MAGIC children's colouring activity packs and children's colouring books. The sign, GALT, also appears on the goods.
- Various catalogues are provided dated 2007 and 2013 – 2019⁵. Mr Bate states that eight thousand catalogues were printed in 2018 and a similar number of catalogues were printed and provided to distributors and retailers in other years.

⁴ Exhibit DJBEX6

⁵ Exhibit DJBEX7

All of the catalogues show various activity books and playthings for children including use of WATER MAGIC in relation to children's colouring books and colouring activity packs. The sign, GALT, is also present on the goods.

- Mr Bate states that the opponent's WATER MAGIC goods are available to purchase from hundreds of UK retailers, including well-known retailers such as Amazon, Fun Learning, Hobby Craft, John Lewis, Morrisons, Smyths, World of Toys, WH Smith and Lidl. Various prints from the website of Amazon are provided⁶ showing the opponent's WATER MAGIC children's colouring books for sale. The mark, GALT, is also present on the goods. The prints are all dated in 2023 but indicate that the goods listed were first available on various earlier dates, as far back as 2008. Further prints are provided⁷, using the Wayback Machine, showing WATER MAGIC children's colouring books and children's colouring activity packs on some of the other aforementioned retailers websites. Again, the goods also bear the mark, GALT. The listings date from 2013 – 2017.
- A selection of third-party articles are provided, referring to the opponent's WATER MAGIC products⁸. For example, an article from November 2018, entitled '200 Children's Christmas Stocking Ideas', from laurasummers.co.uk refers to 'Water Magic book' at number 95.

21) Having considered Party A's evidence in the round, I am satisfied that it has provided children's colouring books and children's colouring activity packs continuously in the UK since at least 2007. The annual sales figures have increased steadily and healthily every year leading up to the relevant date. Party A's goods have also been frequently stocked in some of the UK's best-known retailers prior to the relevant date. I find that the evidence before me is sufficient to show that Party A had goodwill in its business providing colouring books and colouring activity packs for children at the relevant date and that the level of goodwill was substantial enough to meet the required threshold. While the evidence shows that the sign WATER MAGIC has been used consistently with the sign GALT, I am satisfied that the sign WATER MAGIC alone is distinctive of, or associated with, the opponent's goodwill.

⁶ Exhibit DJBEX8

⁷ Exhibit DJBEX9

⁸ Exhibit DJBEX11

Misrepresentation and Damage

22) 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 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.”

23) Party B's registered mark is identical to the sign in which Party A has established that it has goodwill. Party B's 'drawing toys' are, in my view, identical to the goods in which the applicant has goodwill or, at least, very highly similar, given the obvious

overlap in purpose, method of use, trade channels and users and that they may be in competition and/or complementary. Insofar as Party B's other goods are concerned, these are all kinds of toys which are clearly in the same field of activity as the area of business in which Party A has goodwill. The respective goods are all aimed at children to be used for play/recreational activities. They will share trade channels, be stocked in the same retailers and the consumer is likely to believe that they come from the same source. Bearing all of this in mind, I find that those familiar with Party A's business will assume that all of the goods provided under Party B's mark are the responsibility of Party A. A misrepresentation will arise. The damage that follows is likely to be in the form of loss of sales for Party A, with customers using Party B's goods instead. Damage can also be wider than simply loss of custom⁹. As Party A points out, it is imperative that toys and playthings meet high safety and quality standards given that they are aimed at young children (to avoid, for example, choking hazards). Bearing that in mind, placing Party A's reputation in the hands of another could potentially have a serious negative impact on its business and is another form of damage that must be guarded against. Party B is liable to be prevented from use of the trade mark under the law of passing-off. Party A's application for cancellation under section 5(4)(a) of the Act therefore succeeds against all of the goods of Party B's registered mark.

24) As Party B's trade mark registration has not survived Party A's application to cancel that mark, the former has no valid earlier right upon which it may rely in its opposition against the latter's trade mark application. Accordingly, Party B's opposition against Party A's trade mark application fails.

OUTCOME

25) Party A's application to cancel Party B's trade mark registration **succeeds**. Trade mark number 3420178 will be removed from the register.

⁹ See, for instance, *Ewing v Buttercup Margarine Company, Limited* [1917] 2 Ch. 1 (COA), where Warrington L.J. stated that: "To induce the belief that my business is a branch of another man's business may do that other man damage in various ways. The quality of goods I sell, the kind of business I do, the credit or otherwise which I enjoy are all things which may injure the other man who is assumed wrongly to be associated with me."

26) Party B's opposition to Party A's trade mark application **fails**. Trade Mark number 3832171 may proceed to registration.

COSTS

27) As Party A has been successful, it is entitled to a contribution towards its costs. Given that the cancellation proceedings were filed on 19 January 2023 and consolidated with the later filed opposition proceedings, the relevant scale for assessing costs in the instant case is that which relates to proceedings commenced prior to 1 February 2023. That scale is provided in Tribunal Practice Notice 2/2016. Using that scale as guidance, I award Party A costs on the following basis:

Official fee (Form TM26(I))	£200
Preparing a statement and considering the other side's statement x 2	£600
Preparing, and filing, evidence	£700
Preparing, and filing, written submissions in lieu	£300
Total:	£1800

28) I order Shantou Chenghai Kurui Trading Co., Ltd to pay James Galt & Co. Ltd the sum of **£1800**. This sum is to be paid within twenty-one days of the expiry of the appeal period or within twenty-one days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 31st day of July 2024

Beverley Hedley
For the Registrar,
the Comptroller-General