

Bird & Bird

Report of Trade Mark Cases

For the CIPA Journal

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Trade mark decisions

Decisions of the General Court (GC) and Court of Justice (CJ)

Assessing descriptive marks for each service applied for

Stitch Editing Ltd v TikTok Information Technologies UK Ltd (Sir Anthony Mann; [2023] EWHC 1167 (Ch); 17 May 2023)

Sir Anthony Mann, sitting as a High Court Judge, upheld an appeal from the decision of the UK IPO, which allowed the opposition by TikTok to the registration of the word mark STITCH. He held that the Hearing Officer had not properly applied the absolute grounds for refusal in Sections 3(1)(b), (c) and (d) to each of the services applied for in class 41 and remitted the matter back to be considered by a new Hearing Officer. Naji Tilley reports.

Background

Stitch applied to register the word mark STITCH (the "Mark") for various services in class 41, including services for editing music, television programs, films, commercials and internet videos. TikTok opposed the application based on absolute grounds under Sections 3(1)(b), (c) and (d) of the Act. Stitch contested each of TikTok's grounds, and also argued that the Mark had acquired distinctive character through the use it had made of it. The Hearing Officer decided against Stitch on all issues. Stitch appealed to the High Court.

Section 3(1)(c)

The Hearing Officer had found that the word STITCH was "at its most basic level" a way of joining things together, and that this basic meaning was applicable in the context of technology, specifically in a creative or post-production context. Stitch had accepted that the Mark was descriptive when used in relation to photography, meaning to join still photographs together to form a panoramic shot. The Hearing Officer's clear finding regarding the descriptiveness of the Mark for the joining together of media in all sorts of contexts was not seriously challenged.

However, the Judge found that, whilst the Hearing Officer had identified the relevant principles and made a clear finding regarding the meaning of the Mark, it was unclear how she had applied them to each of the services applied for. Instead, she had jumped to her conclusion by pointing to the use of word STITCH in media editing and leaving it at that. The Judge held that it was not always obvious which services a descriptive definition could apply to, and it depended on what the average consumer considered to be encompassed within an activity, which was likely a matter of evidence. It was therefore necessary for the Hearing Officer to explain why the objection applied to each service.

Having said that, the Judge acknowledged that it was sometimes appropriate to take all services together where they were sufficiently comparable to be assessable in essentially the same way. However, if the Hearing Officer had done that in this case, she had not stated why she considered it was appropriate to give a blanket reason, and the Judge opined that would have been inappropriate in the circumstances in any case. As such, the Hearing Officer's decision under Section 3(1)(c) was flawed (as was the decision under Section 3(1)(b) which was linked to and based on the Section 3(1)(c) finding).

Section 3(1)(d)

The Hearing Officer had held that TikTok's evidence had proved the Mark had become customary language in the editing and production environment. The evidence consisted of language used in patent applications and various technical applications relating to photograph, audio and video editing techniques to describe the joining of digital files together. It also demonstrated that users of video editing technologies regarded the Mark as descriptive for that reason.

The Judge held that this part of the Hearing Officer's decision presented the same flaws as the Section 3(1)(c) and 3(1)(b) conclusions, because the Hearing Officer had not made it clear how her findings were applied to each of the services in the specification.

Acquired distinctiveness

The Judge held that the Hearing Officer had not considered some of Stitch's evidence in the correct manner. She had listed the nature of the evidence relied on without, at that point, saying much about its relevance or significance; nor had she considered that the relevant witness had referred to points for a particular purpose or in a particular context. When the Hearing Officer did consider the impact of the evidence, she dealt only with some factors, some of which were not particularly relied on, such as geographical spread, and omitted to deal with others which were relied on as demonstrating a specific criterion being met. For example, Stitch relied on a list of creative awards to demonstrate the link between the brand and the services, but the Hearing Officer considered the awards as being relied on to indicate market share.

The Judge held that, while the Hearing Officer's decision was not impeachable just because it had not expressly articulated every step towards a conclusion, it was expressed in a way that suggested the evidence had not been fully considered. The Hearing Officer had therefore adopted a flawed approach to the evidence, which meant that her decision on acquired distinctiveness could not stand.

The Judge therefore upheld the appeal on all issues and remitted the matter for consideration by a new Hearing Officer.

Relief for misappropriation of a mark by an agent

Quantum Advisory Ltd ("Quad") v Quantum Actuarial LLP ("LLP") (Judge Keyser KC; [2023] EWHC 47 (Ch); 18 January 2023)

His Honour Judge Keyser KC, sitting as a High Court Judge, held that the claimant was entitled to relief under Section 10B of the Act, i.e., the rectification of the register, in a case where its agent had misappropriated its mark. Aaron Hetherington reports.

Background

The defendant, LLP, was formed in 2007 as part of a reorganisation of three businesses that provided services relating to pension funds, including a business referred to in the judgment as 'Old Quad'. Old Quad was incorporated in 2000 and from that time used the mark QUANTUM ADVISORY or QA for short (the "Mark") in connection with its business. By 2007, Old Quad had acquired substantial goodwill and reputation in the Mark. It was at this time that the business was reorganised. LLP was incorporated with the intention that it would receive a turnkey business from Old Quad: LLP would service Old Quad's existing clients, with Old Quad taking the profit and paying LLP back for its expenses in providing the services relating to this legacy business; the intention was that LLP could also take on its own new clients, thereby growing its new business. LLP was given the right to use the Mark as part of this. An agreement (the "Services Agreement") was formalised in November 2007 between Old Quad and LLP. Shortly after the execution of the Services Agreement, the assets and business, including the goodwill, of Old Quad were transferred to the claimant, Quad. The Services Agreement was subsequently novated between Quad and LLP.

Both Quad and LLP used the Mark over the following years. Their invoices and other corporate materials were in common form and displayed both corporate names, and they shared a website. However, LLP began omitting Quad's name from its communications with new clients in around May 2018. A dispute subsequently arose as to whether LLP was bound by the Services Agreement, and Judge Keyser held both parties were bound by it. His decision was upheld by the Court of Appeal.

Between June and November 2018, LLP filed applications for various marks in its own name without Quad's knowledge. These included applications for stylised marks featuring the words QUANTUM ADVISORY and the 'Q' mark shown below:



Quad then brought the present claim, arguing that LLP had applied for the marks as its agent and/or representative, and thus Quad was entitled to ownership of the marks in equity. Further or alternatively, Quad argued that the register should be rectified under Section 10B to reflect its ownership of the Mark. However,

Quad did not contend that LLP should be prevented from its continued use of the Mark, at least whilst the existing commercial arrangements between the parties were in place.

The relationship between the parties

The Judge held that the relationship between Quad and LLP was contractual. The Judge also held that LLP was in a fiduciary relationship to Quad. In particular, this was because the Services Agreement entrusted the entire operation of Quad's business to LLP and all authority and powers necessary to enable it to carry on that business - the Judge stated that Quad "had no hands or eyes or brains other than those of LLP".

Rights to the goodwill associated with the Mark

Quad argued that it had merely granted LLP a revocable permission to use the Mark for as long as the two businesses were associated, so LLP would not have been entitled to use it after that association had ended without Quad's express consent to the contrary. LLP stated that the essence of the Services Agreement was to permit LLP to develop a separate goodwill attaching to the Mark which would exist concurrently with Quad's own goodwill.

The Judge stated that the scope of Quad's licence to LLP to use the Mark for its own business was to be found in the general arrangements made in 2007. The Services Agreement did not regulate LLP's conduct of its own business; it only regulated LLP's conduct of Quad's legacy business. Based on the evidence and the commercial context, the Judge concluded that the licence granted to LLP to use the Mark was coterminous with the Services Agreement. When the Services Agreement was drawn up, the Judge found that the evidence showed the parties had recognised the problem of LLP's continued use of the Mark on termination of the Services Agreement, but irrespective of these concerns no agreement had been drawn up to regulate what would happen after that event. The parties had obviously understood that LLP needed Quad's permission to use the Mark. As such, the Judge held that LLP was licensed to use the Mark only during the continuance of its association with Quad. That did not mean it did not own the business it had built itself during the association, but it did mean it would not have been licensed to use the Mark on termination of the Services Agreement, exposing itself to a potential passing off claim from Quad if the elements of the tort were made out.

Section 10B

The Judge took the requirements of Section 10B in turn. Firstly, the Judge held that LLP was an "agent or representative" of Quad under the broad meaning of those words from the case law, and referred back to the discussion of the relationship between the parties earlier in the judgment (detailed above).

Secondly, Quad must have been the proprietor of a trade mark that (a) was identical with or similar to the registered trade mark and (b) subsisted in goods or services identical or similar to those for which the registered trade mark was registered. The Judge accepted this in respect of all the marks, except for the Q device mentioned above. The Q device was not similar to the Mark because they only shared the letter 'Q', so Quad's Section 10B claim in respect of that registration failed. LLP argued that since Quad's principal activities were the provision of actuarial, consultancy and administrative services to corporate pensions clients and insurance companies, it did not own unregistered rights in the Mark for the wider range of goods and services that LLP had registered, so there was no similarity for some of those. However, the Judge rejected this, stating that the commercial context had to be considered: even where the registered goods and services were broadly defined without reference to a context, e.g., for 'education', the commercial reality was that the parties would actually be using the Mark in the same field, thus creating a likelihood of confusion.

There was no dispute that LLP had applied to register the marks in its own name, and that it had done so without Quad's consent.

The final issue was whether LLP had been justified in applying to register the marks. The Judge quickly rejected LLP's ancillary justifications that it had paid for the trade mark applications itself, and also that it paid for the creation of the device versions of the Mark itself. That would have allowed the circumvention of Section 10B. LLP's primary justification was that it had been legitimately protecting its own goodwill in its business by filing the applications. The Judge also rejected this, referring to their conclusions regarding the relationship between the parties and the rights to the goodwill: Quad was the proprietor of the goodwill in the Mark, and LLP's right to use it was contingent on the subsistence of the relationship between the parties; LLP owned goodwill in its business, but that did not entitle it to use Quad's Mark. As a fiduciary to Quad, LLP was not entitled to prefer its own interests to those of Quad. However, by registering the marks, it had done just that. Consequently, Quad was entitled to relief under Section 10B, i.e., for the rectification of the register to substitute its name for that of LLP as proprietor (except for the Q device mark registration).

The claim in equity

The Judge refused to grant Quad relief in equity as regards the Q device mark registration. This was because Section 10B was introduced following an EU Directive. Therefore, expanding the scope of relief beyond Section 10B was contrary to the goal of harmonisation of the rights of principals vis-à-vis their agents or representatives in such cases.

The CJ and GC decisions can be found at https://curia.europa.eu/jcms/jcms/j_6/en/. Cases marked with a * can be found at <http://www.bailii.org/>.



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