Report of Trade Mark Cases

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Goodwill assessed at application date to Company Names Tribunal

Botanica Agriculture and Extraction Ltd v Botanica Ltd (Leech J; [2022] EWHC 2957 (Ch); 26 October 2022)

On appeal, Leech J held that the Company Names Tribunal (the "Tribunal") had erred in assessing the goodwill of Botanica Agriculture and Extraction Ltd ("BAE") at the date of incorporation of the challenged company, Botanica Limited ("Botanica Ltd"). The correct date for the assessment was the date of BAE's application to the Tribunal under section 69 of the Companies Act 2006 (the "Act"). Ciara Hughes reports.

Background

BAE was incorporated on 18 October 2017 as 'ACAS INTERNATIONAL LTD' and changed its name to 'Botanica Agriculture and Extraction Ltd' on 11 November 2019. Botanica Ltd was incorporated on 17 April 2020. On 29 September 2020, BAE applied to the Tribunal under section 69 of the Act requesting the removal of Botanica Ltd's name from the register as well as damages. BAE and Botanica were both represented by their respective directors in these proceedings.

The Tribunal held that BAE had failed to establish goodwill in the name "Botanica" at the date of incorporation of Botanica Ltd, and that without the necessary goodwill BAE's application failed at the first hurdle and was therefore dismissed.

The appeal

BAE appealed the Tribunal's decision on the following grounds:

(i) BAE had goodwill in the name "Botanica" before the date of incorporation of Botanica Ltd;

(ii) BAE was given misleading advice about the relevance of BAE's trade marks by an officer of the Tribunal, and that this and other aspects of the Tribunal's conduct constituted evidence of bias;

(iii) Botanica Ltd had failed to provide any evidence to support a defence under section 69(4)(a) of the Act; and

(iv) BAE had received a without prejudice letter from Botanica Ltd following the decision of the Tribunal which offered to sell the company to BAE, which indicated an intention to register the company for the purpose of obtaining money from BAE, such that BAE's application should have been allowed under section 69(5).

The decision

Leech J found that the Tribunal had failed to consider the application of section 69(1) and section 69(4) of the Act separately, and remitted the matter to the Tribunal to decide BAE's application again. In particular, the Tribunal had assumed that Botanica Ltd was "the same as a name associated with the applicant". However, the Tribunal should have considered whether the names were the same under section 69(1)(a) and if not, whether they were sufficiently similar to be likely to mislead by suggesting a connection between the companies under section 69(1)(b).

With reference to the case law, Leech J concluded that the relevant date for BAE to show that it had goodwill in the "Botanica" name was the date of the application to the Tribunal, i.e., 29 September 2020, rather than the date of incorporation of Botanica Ltd, i.e., 17 April 2020. Therefore, if the names were the same or similar under section 69(1), BAE's evidence of goodwill had to be reassessed in light of the later relevant date.

Leech J noted that Botanica Ltd had not filed any evidence in support of its defence under section 69(4)(a), and that the Tribunal appeared to reach its decision against BAE without any effort by Botanica Ltd to prove its own case: if the Tribunal decided that BAE had proved its objection under section 69(1), the Tribunal would then have to separately consider whether Botanica Ltd had proved its defence.

In connection with BAE's second and fourth grounds of appeal, Leech J considered that those were not sufficient alone to allow the appeal but, in combination with the other factors, provided additional reasons to remit the application to a different Tribunal. In particular, Leech J commented that the Tribunal might infer from the without prejudice letter that Botanica Ltd's intention was to extract money from BAE, although Botanica Ltd could argue that the letter was privileged or submit evidence to rebut such an inference.

Finally, although BAE had requested damages, Leech J commented that the Tribunal did not have the power to award damages.

Consent to a UK trade mark registration

Marriott Worldwide Corporation v Delta Air Lines, Inc. (Ian Karet sitting as a Deputy High Court Judge; [2023] EWHC 283 (Ch); 10 February 2023)

Mr Karet, sitting as a Deputy High Court Judge, dismissed Marriott's appeal and agreed with the UK IPO's Hearing Officer that Marriott's UK trade mark registration for DELTA should be invalidated for "hotel, restaurant, catering, bar, lounge and resort lodging services, and reservation services for hotel accommodation" on the basis of Delta's earlier registration covering "air transportation services". Robert Milligan reports.

Background

Delta was the proprietor of an EUTM registration for DELTA covering "air transportation services" in Class 39, and a UK trade mark registration for DELTA covering "storage services for freight and for goods; all relating to air transport services, but not including any such services relating to air courier services; all including in Class 39".

On 14 May 2015, Marriott applied for a UK trade mark registration for DELTA covering a franchise, retail and business services in Class 35, and hotel, restaurant, catering, bar, lounge and resort lodging services, and reservation services for hotel accommodation in Class 43 (the "Registration"). Marriott's mark registered on 11 December 2015.

Delta filed an invalidity action at the UK IPO against the Registration alleging:

(i) a likelihood of confusion between the Registration and Delta's earlier registrations under section 5(2)(a);

(ii) use of the mark covered by the Registration would take unfair advantage of, or be detrimental to, the distinctive character or repute of Delta's earlier marks under section 5(3); and

(iii) passing off under section 5(4)(a).

Marriot claimed it had Delta's consent to the Registration by virtue of an agreement between the parties relating to matters in Hong Kong and China, as per section 5(5).

At first instance, the UK IPO's Hearing Officer found: (i) a likelihood of confusion in relation to the applied for services "hotel services; resort lodgings; reservations for hotel accommodations"; (ii) unfair advantage in relation to the applied for retail, restaurant, bar and lounge services; and (iii) that the agreement between the parties did not amount to consent for a UK trade mark registration under section 5(5).

Likelihood of confusion

Marriott argued that the Hearing Officer had been wrong to find that the services "hotel services; resort lodgings; reservations for hotel accommodations" in Class 43 had a low degree of similarity to the Class 39 services covered by Delta's earlier registrations. Instead, the Hearing Officer should have found no similarity because, although Marriott's services may have been sold through the same trade channels as Delta's, none of the services covered by the Registration were "indispensable or important" for the use of air transportation services, as the legal test required.

The Deputy Judge found that the Hearing Officer had not erred in either their approach or decision. The relevant case law had been applied correctly, and validly led to a finding of complementarity between the relevant services because they were commonly sold through the same channels and people who flew to a destination would also have used accommodation services there.

Unfair advantage

Marriott argued that the Hearing Officer had been wrong to find a link between the services "hotel services; resort lodgings; reservations for hotel accommodations" in Class 43 and Delta's air transportation services for the same reasons as argued under a likelihood of confusion. Marriott also argued the Hearing Officer erred in finding a link between air transportation services and retail, restaurant, bar and lounge services by incorrectly referring to and considering an "airline business" instead of air transportation services.

The Deputy Judge again found that the Hearing Officer had not erred in their approach and decision. The Hearing Officer had been entitled to find a link for the services that had previously been found to be similar under the likelihood of confusion assessment.

With regards to the retail, restaurant, bar and lounge services, the Deputy Judge held that the Hearing Officer had not erred and had been right to conclude that the average consumer encountering retail, restaurant, bar and lounge services at an airport would think they were offered by Delta or an economically linked entity. Within the context of an airport, the average consumer would be particularly alert to the sign DELTA and such use would bring to mind Delta's mark.

Consent

Marriott argued that the agreement between the parties was worldwide in its operation and provided consent to the Registration, or that the Registration was otherwise made with due cause. As a result, Marriott argued that the Hearing Officer had erred in their assessment of the agreement and in reaching the conclusion that it did not provide consent or due cause to Marriott for the Registration.

The Deputy Judge held that the agreement was intended to operate as a co-existence for specific marks principally in Hong Kong and China. Had the agreement been intended to create a worldwide co-existence one would have expected references to other territories in the recitals or body of the agreement.

Marriott contended that use of DELTA in relation to hotels as part of its Marriott Rewards programme, which had been sent to UK consumers between 2015 and 2017, showed due cause. However, the Deputy Judge agreed with the Hearing Officer that there was no use of DELTA for hotels in the UK, or evidence that UK consumers would have seen the DELTA mark; particularly as the hotels for which the mark was used were based in the US and Canada.

Trade mark licence

Virgin Aviation TM Ltd & Anr v Alaska Airlines Inc (formerly Virgin America Inc) (Christopher Hancock KC sitting as a High Court Judge; [2023] EWHC 322 (Comm); 16 February 2023)

Virgin had entered into an agreement with Virgin America which granted it a licence to use the Virgin's trade marks. After it was taken over, its successor ceased all use of the Virgin Brand and stopped paying royalties to Virgin. The Judge held that the licence required the continued payments to Virgin, whether or not the Virgin Brand was being used. Maisie Briggs reports.

Background

Virgin (part of the well-known Virgin Group) had entered into a trade mark licence agreement with Virgin America (a separate group) on 19 November 2014 which granted Virgin America the right to use certain Virgin trade marks (the "Virgin Brand").

The contract set out that Alaska Airlines would use the Virgin Brand in connection with its airline and associated activities in the US, Canada, Mexico and the Caribbean. In that regard, clause 3.6 of the contact read as follows: "The User undertakes that, for as long as it provides the Licensed Activities, it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names." The 'Licensed Activities' were those mentioned above (i.e., the operation of an airline in certain territories and associated activities).

The contract also stated that Virgin America would pay Virgin either an annual royalty based on gross sales or a minimum royalty, depending on which was greater. In the final version of the agreement, the minimum royalty was defined as 0.7% of 80% of Virgin America's 2013 revenues for 25 years (up to 2039), and that the amount payable by Virgin America would be adjusted for inflation.

In December 2016, Virgin America was acquired by Alaska Air Group Inc ("Alaska Group"). In March 2017, Alaska Group announced that it would be winding down its use of the Virgin Brand. Flights continued to operate under the Virgin Brand until April 2018 when Alaska Group merged Virgin America with Alaska Airlines at which point Alaska airlines assumed Virgin America's rights and obligations under the contract. By May 2019, Alaska Airlines had phased out use of the Virgin Brand and moved to its own branding, at which point it stopped paying royalties to Virgin. The last payment to Virgin was made in July 2019.

Virgin claimed that the express wording of the licence agreement stated that Alaska Airlines would have to pay at least the minimum royalty rate to Virgin until 2039, regardless of whether it was using the Virgin Brand. Alaska Airlines argued that it was only required to pay royalties if it had used the Virgin Brand on its aircraft: since it had stopped using it entirely, it argued that it was not required to pay any royalties to Virgin.

Three main issues

Christopher Hancock KC considered the following three issues:

(i) Whether Alaska Airlines was required to pay the minimum royalty even when it was not using the Virgin Brand;

(ii) Whether the royalty obligations should have been modified to account for the fact that Alaska Airlines had stopped using the Virgin Brand halfway through the year; and

(iii) Whether it was a breach of contract if Alaska Airlines stopped all use of the Virgin Brand.

Requirement to pay the minimum royalty

The Judge concluded that on proper construction of the agreement it was clear that the minimum royalty had a set term. The payment was a set sum which was payable for the duration of the set term. As a result, even if no royalties were being earnt, the minimum royalty was a flat fee payable for Alaska Airlines' right to use the Virgin Brand, whether or not that right was exercised or not.

The Judge held that this decision was supported by a change of ownership within Virgin America that occurred before the company was acquired by Alaska Group and changes to the contract under which Virgin lost a substantial number of rights of control of the brand. As a result, there was an enhanced risk of a de-brand. So, the Judge held that it was a reasonable commercial conclusion that Virgin meant the minimum royalty to act as a guaranteed source of income for the future.

In view of this conclusion, it was held that the second and third issues were less important or irrelevant. However, they were considered anyway in case of appeal.

Pro-rata royalty payments

It was held that even if the requirement to pay Virgin had stopped when Alaska Airlines had ceased using the Virgin Brand completely in 2019, the minimum royalty would still need to have been paid in full for any year in which some use of the Virgin Brand was made.

Breach of contract

Finally, the Judge held that by ceasing to use the Virgin Brand, Alaska Airlines had breached clause 3.6, the wording of which obliged it to use the Virgin Brand to at least some extent. The Judge held that the clause could be interpreted as meaning that the damages payable for the breach of contract were the amount specified in the minimum royalty clause.

The Judge refused leave to appeal ([2023] EWHC 671 (Comm), 24 March 2023).

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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