

Case No: A3/2016/0867

Neutral Citation Number: [2017] EWCA Civ 1729

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR JUSTICE ARNOLD
[2016] EWHC 52 (Ch)

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 01/11/2017

Before:

LORD JUSTICE KITCHIN
and
LORD JUSTICE FLOYD

Between :

THE LONDON TAXI CORPORATION LIMITED **Appellant**
trading as THE LONDON TAXI COMPANY

- and -

(1) FRAZER-NASH RESEARCH LIMITED **Respondents**
(2) ECOTIVE LIMITED

Douglas Campbell QC (instructed by **Browne Jacobson LLP**) for the **Appellant**
Mark Platts-Mills QC and **Maxwell Keay** (instructed by **Berwin Leighton Paisner LLP**) for
the **Respondents**

Hearing dates: 18th-20th July 2017

Judgment

Lord Justice Floyd:

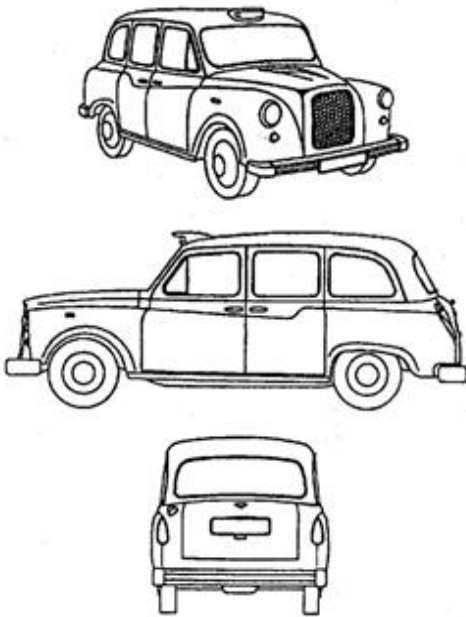
1. Is the shape of a London taxi a valid registered trade mark? The claimant and appellant The London Taxi Corporation Limited ("LTC") contends that it can be. It further contends that the defendants and respondents Frazer-Nash Research Limited ("FNR") and Ecotive Limited ("Ecotive") threaten to infringe two of its registered trade marks ("the LTC marks") which depict models of its taxis, by launching a new London taxi, the new Metrocab. After a trial, Arnold J held that both of the LTC marks were invalid on a number of grounds, and that one of them should be revoked for non-use. Further, even if the LTC marks had been valid, he held that they would not be infringed by the new Metrocab. He also dismissed a claim founded on the common law tort of passing off.

LTC's taxis

2. LTC is the successor in title to the manufacturer of the Fairway, TX1, TXII and TX4 models of London taxi and claims to be the owner of the goodwill in the shapes of all four models. The judge helpfully included photographs of the Fairway, the TX1 and the TX4 in his judgment, and I reproduce them in an Annex to this judgment along with other taxi designs to which I will refer in due course. The TXII is not materially different from the TX1.

The trade marks in issue

3. The LTC marks depict the shapes of the Fairway and of the TX1/TXII models respectively. Thus, LTC is the registered proprietor of Community Trade Mark No. 951871 registered as of 5 October 1998 in respect of "motor vehicles, accessories for motor vehicles; parts and fittings for the aforesaid" in Class 12 ("the CTM"). The CTM is a three-dimensional trade mark represented as follows:



4. LTC is also the registered proprietor of United Kingdom Trade Mark No. 2440659 registered as of 1 December 2006 in respect of "cars; cars, all being taxis" in Class 12 ("the UKTM"). The UKTM is a three-dimensional trade mark represented as follows:



LTC's other trade marks

5. LTC also owns a number of other registered trade marks designating the make and models of its taxis, including the word marks "Fairway" and "TX1" and these logos:



6. LTC affix these trade marks to their taxis in the form of badges on the grilles and boots.

The Metrocab

7. The respondents are the successors in title to the manufacturers of a number of models of London taxi, including the Metrocab. The first version of the Metrocab (see the Annex) was launched in 1986. A later version was the Metrocab TTT (also shown in the Annex). In around 2002 or 2003 FNR began work on developing an electric taxi. After an extensive process of development and testing, FNR decided instead to work on a hybrid electric Metrocab. This led FNR to produce a prototype hybrid vehicle based on the Metrocab TTT. The judge sets out the details of the lengthy development project at paragraphs [82] to [143] of his judgment. At trial, it was part of LTC's case that the respondents had deliberately set out to deceive the public with their design of taxi, but that allegation was rejected by the judge and is no longer advanced by LTC, and so it is not necessary for me to refer to that history in any detail.
8. The judge quoted, and accepted, the following passage from the evidence of Mr Siddiqi, FNR's witness:

“I am aware that those involved in the trade, our competitors, passengers and Transport for London alike all have certain perceptions as to how a licensed London cab ‘should look’ there is, effectively, a barrier to entry in the market for licensed cabs which are not recognisable as such – i.e. if a vehicle does not look like a licensed cab, passengers are less likely to hail it. ... FNR wanted to avoid producing a taxi which may struggle to generate business if it was not recognised by Londoners as a licensed London cab. ... As a result - in very broad terms - I directed the design of a cab which was recognisable as a licensed London cab at a generic level, drawing on the entire history of the sector and the British heritage of automotive designs, but that is distinctive and which clearly differentiates itself from LTC’s cabs.”

9. The alleged infringement, and the target of the passing off action, the new Metrocab, is shown in the two photographs reproduced in the Annex. We were told that it is yet to be launched: and so the action is effectively *quia timet*.
10. The vehicles have, however, been shown at some events. Thus they were displayed at the New Taxis for London event on 16 January 2014, and the Mayor was photographed driving one. Both the Mayor's Press Office and the participating manufacturers issued press releases in advance of the event. The defendants' press release quoted "Metrocab Chairman" Sir Charles Masefield as saying (emphasis added):

"The all-new Range Extended Electric Metrocab has been in development since the mid-2000s with several prototypes built and over a million kilometres of testing. *Instantly recognisable as an iconic London Hackney Cab* with a panoramic glass roof for views of the City, our new all-British London cab offers, for no price premium, completely new levels of economy, emissions and passenger comfort and is ready to enter service this year, benefitting [sic] the passenger, driver, city and environment alike." (emphasis supplied).

The Vito

11. In June 2008 Mercedes launched its Vito taxi. This is a converted van design. In the spring of 2011 Mercedes introduced a revised version, which is that shown in the Annex.
12. A substantial number of Vito taxis have been sold to taxi drivers and licensed private hire operators in London. The judge found that many taxi drivers consider that the appearance of the Vito counts against it. There was “considerable evidence” that some hirers react unfavourably to the Vito. This is manifested by potential passengers walking past Vitos at ranks and hailing LTC cabs rather than Vitos on the street. Although this might be an aesthetic preference, or due to a concern that the hirer might have to pay a premium rate for what appears to be a larger vehicle, it was clear that some hirers either did not perceive the Vito as a proper licensed London taxi or at

least were concerned that it might not be. This perception appeared to be most common amongst tourists but was not so restricted.

The regulation of London taxis

13. Taxis and taxi drivers are regulated by legislation and regulations, stemming back to the London Hackney Carriages Acts in the 19th century. In 2000 the licensing responsibility carried on by the Public Carriage Office was transferred to the new Greater London Authority and became part of Transport for London (“TfL”). Both taxis and their drivers must be licensed by TfL, and TfL also fix the scale of fares to be charged. The Conditions of Fitness contained other requirements, such as the maximum wheel turning circle.
14. Although the Conditions of Fitness did not dictate the appearance of vehicles that could be licensed as London taxis, the Public Carriage Office, TfL, and even the Mayor of London, had clear views on the subject and were not hesitant to make them known to manufacturers. It became clear that the PCO and TfL were “*keen for British traditions to be preserved with regard to the ‘look’ of any new licensed London cab*” in order to “*ensure they are recognisable as taxis licensed for hire in London*’.

The legislative provisions

15. Articles 3, 5 and 6 of the European Parliament and Council Directive 2008/95/EC of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version replacing Directive 89/104/EEC) (“the Directive”) provide, so far as relevant, as follows:

“Article 3

Grounds for refusal or invalidity

1. The following shall not be registered or, if registered, shall be liable to be declared invalid:

..

(b) trade marks which are devoid of any distinctive character;

...

(e) signs which consist exclusively of:

...

(iii) the shape which gives substantial value to the goods;

...

3. A trade mark shall not be refused registration or be declared invalid in accordance with paragraph 1(b), (c) or (d) if, before the date of application for registration and following the use

which has been made of it, it has acquired a distinctive character. Any Member State may in addition provide that this provision shall also apply where the distinctive character was acquired after the date of application for registration or after the date of registration.

Article 5

Rights conferred by a trade mark

1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

...

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

...

5. Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

Article 6

Limitation of the effects of a trade mark

1. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade:

...

(b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;

...

provided he uses them in accordance with honest practices in industrial or commercial matters.”

16. These provisions were implemented in the United Kingdom by sections 3(1)(b), (2)(c), 10(2) and (3) and 11(2)(b) of the Trade Marks Act 1994. Parallel provisions were contained in Articles 7(1)(b) and (e)(iii), 9(1)(b) and (c) and 12(b) of Council Regulation 207/2009/EC of 26 February 2009 on the Community trade mark (codified version replacing Regulation 40/94/EC) (“the Regulation”).
17. The Regulation also provides for revocation for non-use. Articles 15 and 51 provide, so far as relevant:

“Article 15

Use of Community trade marks

1. If, within a period of five years following registration, the proprietor has not put the Community trade mark to genuine use in the Community in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the Community trade mark shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for non-use.

The following shall also constitute use within the meaning of the first subparagraph:

(a) use of the Community trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered;

...

Article 51

Grounds for revocation

1. The rights of the proprietor of the Community trade mark shall be declared to be revoked on application to the Office or on the basis of a counterclaim in infringement proceedings:

(a) if, within a continuous period of five years, the trade mark has not been put to genuine use in the Community in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use; however, no person may claim that the proprietor's rights in a Community trade mark should be revoked where, during the interval between expiry of the five-year period and filing of the application or counterclaim, genuine use of the trade mark has been started or resumed; the commencement or resumption of use within a period of three months preceding the filing of the application or counterclaim which began at the earliest on expiry of the continuous period of five years of non-use shall, however, be disregarded where preparations for the commencement or resumption occur only after the proprietor becomes aware that the application or counterclaim may be filed;

...

2. Where the grounds for revocation of rights exist in respect of only some of the goods or services for which the Community trade mark is registered, the rights of the proprietor shall be declared to be revoked in respect of those goods or services only.”

18. Articles 10(1) and 12(1) of the Directive correspond to these provisions.

The issues

19. Although there are no less than 26 grounds of appeal, the issues debated in this appeal fell under the following heads:

- i) Is the average consumer in the present case (a) the taxi driver who purchases the cab or (b) the taxi driver who purchases the car together with members of the public who hire taxis?

- ii) Are the trade marks invalid because they are each devoid of distinctive character? This gives rise to two sub-issues: (a) inherent distinctive character and (b) acquired distinctive character.
- iii) Are the trade marks invalid because they each consist of a shape which gives substantial value to the goods?
- iv) Should the CTM be revoked because of non-use between 30 April 2009 and 1 May 2014?
- v) Were the trade marks infringed by the new Metrocab under Articles 9(1)(b)/5(1)(b)?
- vi) Were the trade marks infringed by the new Metrocab under Articles 9(1)(c)/5(2)?
- vii) Did the respondents have a defence under Article 12(b)/Article 6(1)(b)?
- viii) Was the judge correct to dismiss the claim in passing off?

Discussion of the issues

Issue (i): the average consumer

20. It is well established that many questions in European trade mark law are to be assessed from the perspective of the "average consumer" of the relevant goods or services, who is deemed to be reasonably well-informed and reasonably observant and circumspect. The attributes of the average consumer are used, for example, to assess whether the similarities between a mark and an alleged infringing sign are sufficient as to be likely to cause confusion. The attributes of the notional average consumer depend on the nature of the trade in question. This court considered what was meant by "average" in the context of the average consumer in its judgment in *Interflora Inc and another v Marks and Spencer plc* [2014] EWCA Civ 1403 at [116] to [130]. At [128] Kitchin LJ (giving the judgment of the court in which Patten LJ and Sir Colin Rimer joined) explained that average consumer is not "some form of mathematical average". Rather, the average consumer was "a notional person whose presumed expectations are to be taken into account by the national court in assessing the particular question it is called upon to decide".
21. The issue in the present case arises because, although it is common ground that taxi drivers and others who purchase taxis are to be treated as consumers of taxis, FNR and Ecotive submit that taxi passengers, who merely hire and ride in taxis, are not. At paragraph [161] of his judgment Arnold J concluded that the average consumers in the present case did not include the members of the public who hire taxis. Members of the public were consumers of taxi services, and not taxis. He said:

"They [i.e. members of the public] are not end users of the goods, they are users of the service provided by the consumer of the goods".
22. The judge went on to accept, at paragraph [162], that the reactions, or at least the perceived reactions, of the consumers of taxi services to the design of taxis would be

taken into account by taxi drivers when deciding which taxi to purchase. The judge also found, at paragraph [163], that since taxis were expensive and specialised vehicles, taxi drivers were knowledgeable and careful purchasers. By contrast, since taxi services are relatively inexpensive and since consumers are often in a hurry, the level of attention paid by consumers of taxi services was fairly low.

23. At its most general level the issue which divides the parties is whether a member of the public who hires a taxi can be said to be a relevant consumer of the goods in respect of which a trade mark is registered. Such a person differs from an outright purchaser of the goods, such as a taxi driver, because he or she does not take complete possession of the goods.
24. In support of his submission that, in the case of a trade mark for goods, it is legitimate to take account of the perceptions of an end user of the goods, Mr Campbell QC, who appeared for LTC, relied on two decisions of the CJEU. The first of these was Case C-371/02 *Björnekulla Fruktindustrier AB v Procordia Food AB* [2004] RPC 45. In that case the defendant was the proprietor of the Swedish trade mark “BOSTONGURKA” for chopped pickled gherkins. The claimant sought revocation of the mark on the ground that Bostongurka had become the common name in the trade for the product (see Article 12(2)(a) of the Directive) relying on two market surveys of ordinary consumers. In response, the defendant relied on a market research survey of leading operators in the grocery and mass catering sectors. The Swedish court asked the Court of Justice for a preliminary ruling on what was the relevant circle or circles for determining whether a trade mark had become a common name in the trade. The court answered the question by saying:

“24. In general, the perception of consumers or end users will play a decisive role. The whole aim of the commercialisation process is the purchase of the product by those persons and the role of the intermediary consists as much in detecting and anticipating the demand for that product as in increasing or directing it.

25. Accordingly, the relevant circles comprise principally consumers and end users. However, depending on the features of the product market concerned, the influence of intermediaries on decisions to purchase, and thus their perception of the trade mark, must also be taken into consideration.”

25. Mr Campbell stressed the use of the expression “consumers and end users” in these two paragraphs. It was the perception of both groups which played a “decisive role”. I do not think, however, that this case is of much assistance on the issue which faces us. Although it is clear that the expression “consumers and end users” is used in distinction to “intermediaries”, it is not clear what distinction the court intended to make between consumers on the one hand and end users on the other. On a literal reading of paragraph 24 of the court’s judgment, both groups are assumed by the court to be purchasers of the product. It seems likely, however, that the court wanted the expression to include not merely those who bought the goods, but also subsequent individuals or entities into whose hands they passed without payment, for example members of the purchaser’s family. Such individuals would be users of the goods

without being purchasers. The case does not go as far as establishing that the court must have in mind, as an average consumer, the group of individuals, such as the hirers in the present case, who do not take complete possession of the goods.

26. Mr Campbell also relied on Case C-409/12 *Backaldrin Österreich The Kornspitz Company GmbH v Pfahnl Backmittel GmbH* [2014] ETMR 30. Backaldrin was the registered proprietor of the word mark KORNSPITZ for “*flour and preparations made from cereals; bakery goods; baking agents, pastry confectionery, also prepared for baking; pre-formed dough... for the manufacture of pastry confectionery*”. Backaldrin produced a baking mix which it supplied primarily to bakers who turned that mix into a bread roll that was oblong in shape and pointed at each end. Pfahnl contended that the sign was perceived by end users as the common name for a bakery product, namely bread rolls that were oblong in shape and had a point at each end. Pfahnl applied to revoke the trade mark on the ground that the trade mark had become the common name in the trade for a product. The specific question referred to the CJEU for its preliminary ruling was whether a trade mark is liable to revocation if that mark has become the common name, not according to the perception of the sellers of the finished product made using the material supplied by the proprietor of that mark, but according to the perception of the end users of that product. The court held that the perception of consumers or end users “will play a decisive role”. It went on to say that the fact that sellers were aware of the existence of the trade mark and of the origin which it indicates could not on its own preclude revocation if the mark had become the common name amongst end users.
27. Like *Björnekulla*, *Kornspitz* does not throw much light on the question we have to decide in the present case. Members of the public who buy the pointed, oblong bread rolls are undoubtedly consumers of them. Again, the court presumably wished to include, by the use of the term “end users” those into whose hands and mouths the rolls subsequently came, even if they were not purchasers. Whether that term would include the case of a mere hirer who does not take complete possession of the goods is a different question.
28. Mr Campbell also relied on two domestic cases to support his appeal. These were *Schütz (UK) Limited and another v Delta Containers Limited and another* [2011] EWHC 1712 (Ch) a decision of Briggs J (as he then was) and *GAP (ITM) Inc v British American Group Limited* [2016] EWHC 599 (Ch); [2016] ETMR 30 a decision of Mr John Baldwin QC sitting as a deputy judge of the Chancery Division. The latter case was concerned with a mark registered for magazine publishing services, and the question arose whether customers who bought magazines were a relevant class of consumer. That was a complication which, to my mind, made it of less assistance than *Schütz*.
29. *Schütz* was concerned with marks registered for intermediate bulk containers (IBCs) which are large metal cages surrounding and protecting a plastic bottle. In the normal way the IBC would be purchased by an industrial concern (“a filler”) who would fill the bottles and supply liquid contained therein to customers (to whom the judge referred as “end users”). End users could then use them to dispense liquids for their particular purposes. Once they had served their purpose, a further group of intermediaries re-bottled the IBCs, refurbished them and sold them back to end users. The defendants, who recovered IBCs in this way and put new bottles in them, were sued by *Schütz* for trade mark infringement because the metal cages still carried the

original manufacturer's mark whilst containing a new bottle, not one made by Schütz. It emerged that end users thought that the trade mark was being used in relation to the bottle and to the IBC as a whole, but the fillers did not.

30. It was submitted for the defendant that the relevant class of consumers was the fillers, because the end users' indifference to the identity of the manufacturer of the IBC "hardly qualified them with the attributes of the average consumer". They were not consumers of the IBC in the relevant sense: they were consumers of the contents and not its packaging. Briggs J first explained that he did not think that the average consumer test required the court to find a notional average consumer with perceptions somewhere between those of the fillers on the one hand and the end users on the other. Rather he said:

"... The test requires the court to identify the relevant perception of consumers within any relevant class who are neither deficient in the requisite characteristics of being well-informed, observant and circumspect, nor top performers in the demonstration of those characteristics. That is in substance what "average" means."

31. I agree with Briggs J that the notion of an average consumer requires the court to consider any relevant class of consumer, and not to average them. I believe that conclusion to be consistent with the approach taken by this court in *Interflora Inc and another v Marks and Spencer plc* (supra). Briggs J also rejected the argument that end users were not "consumers" in the relevant sense. He said:

"I have described how the IBC performs a useful function to the end-user in facilitating the convenient storage and dispensing of its contents, rather than merely being a means whereby the filler transports the contents to its end-user customer's factory gate. The end-user is therefore a person to whom the trade mark, as a badge of origin or authenticity of the IBC as a product, may well have significance. For as long as an IBC performs its functions effectively, that role of the trade marks may be of little consequence to the end-user. But if the IBC were to fail, then it is to the proprietor of the trade mark displayed on it that the end-user is likely to attribute blame for the failure, even if the end-user has no legal recourse against the manufacturer, and has to pursue a complaint through its (filler) supplier. In my judgment end-users of IBCs are consumers in the relevant sense, for that reason."

32. Briggs J, therefore, applied a test of whether the end users constituted a class of persons to whom the trade mark as a badge of origin might have significance. However, because the end users were purchasers of the goods (albeit ones who returned them to their source), the case does not show to what extent a member of the relevant class has to take complete possession of the goods.
33. Mr Platts-Mills QC, who appeared for the defendants, supported the judge's view that the hirers were not a relevant class of consumers in the present case. He did, however, accept that a hirer of goods could in some circumstances be a relevant

consumer, for example where it was established that consumers were concerned about who the manufacturer of the goods actually was. He accepted that a hirer of a chauffeur driven car for a special occasion could be an example of a consumer who was concerned about the manufacturer of the car, and could therefore be an average consumer.

34. As with all issues in trade mark law, the answer to disputed questions is normally provided by considering the purpose of a trade mark which, broadly speaking, is to operate as a guarantee of origin to those who purchase or use the product. In principle, therefore, and in the absence of any authority cited to us which is directly in point, I would consider that the term average consumer includes any class of consumer to whom the guarantee of origin is directed and who would be likely to rely on it, for example in making a decision to buy or use the goods. Against that background, I would not have thought it mattered whether a user was someone who took complete possession of the goods, or someone who merely hired the goods under the overall control of a third party.
35. In the present case I cannot therefore see any *a priori* reason for excluding the hirer of a taxi from the class of consumers whose perceptions it is necessary to consider. The guarantee of origin which the mark provides is directed not only at purchasers of taxis but also at members of the public, such as hirers of taxis. The hirer is a person to whom the origin function of the vehicle trade mark might matter at the stage when he or she hires the taxi. I entirely accept that the hirer is also a user of taxi services, so that any dissatisfaction with the taxi or its performance is likely to be taken up with the taxi driver or his company. But if, for example, the taxi were to fail for reasons not associated with the taxi service, it would be on the manufacturer identified by his trade mark that the hirer would, or might, wish to place the blame. I would be inclined to hold, therefore, that taxi hirers are not excluded in principle from consideration as a relevant class of consumer. As will be seen however, it is not necessary for us to reach a concluded view on this issue, as it does not in the end have a bearing on the outcome of this appeal.

Issue (ii)(a): Inherent distinctive character

36. The judge approached the issue of inherent distinctive character on the basis that a necessary, but not a sufficient, condition for registration in the case of a mark consisting of the shape of a product was that the registered shape must be one that departs significantly from the norm or customs of the sector for products of that kind. In addition he held that, as with all other marks, the marks must be perceived by the average consumer as identifying the origin of the goods. Applying those tests, he concluded, firstly, that the CTM would have been perceived by the average consumer of taxis as merely a variation of the typical shape of the taxi. Equally he considered that the CTM would be considered by the ordinary consumer of cars as merely a variation of the typical shape of a car. The judge also considered that the CTM would not have been perceived as identifying the origin of the goods. It was therefore devoid of distinctive character. The judge came to the same conclusion in relation to the UKTM.
37. The principles to be applied to the assessment of the distinctive character of a trade mark consisting of the shape of a product under Article 7(1)(b) of the Regulation and Article 3(1)(b) of the Directive were summarised by the CJEU in Joined Cases C-

344/10 P and C-345/10 P *Freixenet SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2011] ECR I-10205 as follows:

“42. According to settled case-law, for a trade mark to possess distinctive character for the purposes of Article 7(1)(b) of Regulation No 40/94 it must serve to identify the goods in respect of which registration is sought as originating from a particular undertaking, and thus to distinguish those goods from those of other undertakings (see, in particular, Joined Cases C-456/01 P and C-457/01 P *Henkel v OHIM* [2004] ECR I-5089, paragraph 34; Case C-136/02 P *Mag Instrument v OHIM* [2004] ECR I-9165, paragraph 29, and Case C-238/06 P *Develey v OHIM* [2007] ECR I-9375, paragraph 79).

43. That distinctive character must be assessed, first, by reference to the goods or services in respect of which registration is sought and, second, by reference to the perception of the relevant public (see, in particular, *Henkel v OHIM*, paragraph 35; Case C-25/05 P *Storck v OHIM* [2006] ECR I-5719, paragraph 25, and *Develey v OHIM*, paragraph 79).

...

45. It is also settled case-law that, the criteria for assessing the distinctive character of three-dimensional trade marks consisting of the appearance of the product itself are no different from those applicable to other categories of trade mark (see, in particular, *Mag Instrument v OHIM*, paragraph 30; Case C-173/04 P *Deutsche SiSi-Werke v OHIM* [2006] ECR I-551, paragraph 27; *Storck v OHIM*, paragraph 26, and Case C-144/06 P *Henkel v OHIM* [2007] ECR I-8109, paragraph 36).

46. However, when those criteria are applied, account must be taken of the fact that the perception of the average consumer is not necessarily the same in relation to a three-dimensional mark consisting of the appearance of the product itself as it is in relation to a word or figurative mark consisting of a sign which is independent of the appearance of the products it designates. Average consumers are not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging in the absence of any graphic or word element, and it could therefore prove more difficult to establish distinctive character in relation to such a three-dimensional mark than in relation to a word or figurative mark (see, in particular, *Mag Instrument v OHIM*, paragraph 30; *Deutsche SiSi-Werke v OHIM*, paragraph 28, and *Storck v OHIM*, paragraph 27).

47. In those circumstances, only a mark which departs significantly from the norm or customs of the sector *and thereby* fulfils its essential function of indicating origin is not devoid of any distinctive character for the purposes of Article 7(1)(b) of Regulation No 40/94 (see, in particular, *Mag Instrument v OHIM*, paragraph 31; *Deutsche SiSi-Werke v OHIM*, paragraph 31, and *Storck v OHIM*, paragraph 28).” (emphasis supplied)

38. In Case T-629/14 *Jaguar Land Rover Ltd v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2016] ETMR 12, the General Court applied the principles in *Freixenet v OHIM* to a trade mark consisting of the shape of a Range Rover. The applicant had applied to register the trade mark in respect of a variety of goods in Classes 12, 14 and 28. The Second Board of Appeal allowed the applicant’s appeal in respect of “apparatus for locomotion by air or water”, but dismissed it as regards the remainder. The General Court allowed the applicant’s further appeal in respect of “vehicles for locomotion by air and water” for the following reasons:

“25. In the present case, the Board of Appeal correctly observed ... that the sign applied for depicts an apparatus for locomotion by land and not an apparatus for locomotion by air or water. It must, therefore, be regarded as departing significantly from the norm and customs of the sector for apparatus for locomotion by air and water *and, consequently*, as not being devoid of any distinctive character for the purposes of Article 7(1)(b) of Regulation No 207/2009. The Board of Appeal was therefore correct in annulling the examiner’s decision as regards ‘apparatus for locomotion by air or water’ in Class 12 and allowing the application for registration in respect of those goods.

26. However, it must be stated that the same reasoning ought to have led the Board of Appeal also to annul the examiner’s decision as regards ‘vehicles for locomotion by air and water’ in Class 12 and allow the application for registration in respect of those goods. The sign applied for depicts an apparatus for locomotion by land and not ‘vehicles for locomotion by air and water’. It must, therefore, be regarded as departing significantly from the norm and customs of the sector for vehicles for locomotion by air and water *and, consequently*, as not being devoid of any distinctive character for the purposes of Article 7(1)(b) of Regulation No 207/2009. It follows that the contested decision must be annulled in so far as it refused registration of the mark applied for as regards ‘vehicles for locomotion by air and water’ in Class 12.” (emphasis supplied)

39. The General Court went on, however, to dismiss the applicant’s appeal in respect of the remaining goods, and in particular vehicles for locomotion by land because the sign was “merely a variation of the typical shape of a car and is, therefore, devoid of any distinctive character for the purposes of Article 7(1)(b) of Regulation No

207/2009.” Put crudely, the makers of the Range Rover could have registered the shape for a plane or a boat but not for a car.

40. The language used by the CJEU might suggest that marks which depart significantly from the norms and customs of the sector necessarily possess distinctive character. However, in *Bongrain SA’s Trade Mark Application* [2004] EWCA Civ 1690, [2005] RPC 14, a case decided before *Freixenet and Jaguar Land Rover*, Jacob LJ, with whom Potter and Longmore LJ agreed, suggested that this was not so. He did not accept that the CJEU’s jurisprudence at that date established that departure from the norms and customs was enough. He said at [25]:

“As a matter of principle I do not accept that just because a shape is unusual for the kind of goods concerned, the public will automatically take it as denoting trade origin, as being the badge of the maker.”

41. Mr Campbell relies on *Jaguar Land Rover* to submit that the CJEU’s test of “*departs significantly from the norm or customs of the sector*” is now, even more clearly, both a necessary and sufficient condition for inherent distinctiveness. He stresses the phrase “and consequently” in paragraphs 25 and 26 of *Jaguar*, which he submits removes any lingering doubt that there might have been when the CJEU used the phrase “and thereby” in *Freixenet*.
42. Like the judge, I consider that there is much force in Mr Campbell’s submissions. The matter is not, however, *acte claire*. If the point turns out to be necessary for us to decide the appeal, we should refer a question to the CJEU. In the event however, as I shall explain, I do not consider that the marks depart significantly from the norms and customs of the sector in the manner required by the jurisprudence of CJEU.
43. In support of its case that the shapes the subject of the LTC marks depart from the norms and customs of the sector, LTC relies on the list of characteristics identified by it in the particulars of claims (“the LTC features”), namely:
- i) the large size and relatively upright slope of the windscreen;
 - ii) the triangle of the bonnet tapering towards the front grille;
 - iii) the impression conveyed of a deep/high bonnet;
 - iv) the extended prominent front grille;
 - v) the “TAXI” light in the centre above the windscreen;
 - vi) the round headlamps, and the alignment thereof with the top of the grille;
 - vii) the smaller round parking lights, and the alignment thereof with the bottom of the grille;
 - viii) the overall front, side, and rear views of the vehicle.
44. There was argument, on this aspect of the case, as to the extent to which it was legitimate to take account, as part of the norms and customs of the sector, the designs

of specific models of taxi made and sold by LTC or their predecessors. To my mind this debate is somewhat beside the point. When deciding what are the norms and customs of the sector it is necessary to step back and look at the sector as a whole, and not merely at one particular design. In case T-450/09 *Simba Toys GMBH & Co KG v OHIM Seven Towns intervening* [2015] ETMR 15, the General Court pointed out that the existence on the market of a design which resembled the mark applied for did “not suffice to demonstrate that the shape of the contested mark is the norm in the sector”: see paragraph [106]. What that shows is that the relevant sector needs to be viewed with a wider perspective in mind.

45. In my judgment, drawing on the CJEU’s jurisprudence, there are three steps in deciding whether the mark differs significantly from the norms and customs of the sector. The first step in the exercise is to determine what the sector is. Then it is necessary to identify common norms and customs, if any, of that sector. Thirdly it is necessary to decide whether the mark departs *significantly* from those norms and customs.
46. Mr Campbell did not suggest that the sector was limited to London licensed taxi cabs. Even if the marks were limited to taxis, which they are not, it would have to include private hire taxis, which can be any model of saloon car within reason. In my judgment it must include not just models in production at the date of application, but those on the road and those which the average consumer can be expected to have seen.
47. The norms and customs of the car sector are not difficult to establish. Typical cars have a superstructure carried on four wheels, the superstructure having a bonnet, headlamps and sidelights or parking lights, a front grille and no doubt other features. The public will have experienced taxis with sharp linear features like the old Metrocab, and more rounded ones like LTC’s taxis. They will have experienced both modern cars and more old fashioned ones. They will know that if the car is a taxi it will often have a light or other sign bearing the word TAXI on its roof.
48. When the LTC features are compared with these basic design features of the car sector, each is, to my mind, no more than a variant on the standard design features of a car. A windscreen has a slope, a bonnet has a height and a grille has a shape. It is obvious that none of the LTC features is so different to anything which had gone before that it could be described as departing significantly from the norms and customs of the sector. Whether considered individually or as a whole the LTC features are simply minor variants on those norms and customs.
49. Mr Campbell submitted that it was not clear what specific existing models the judge had in mind in deciding what were the norms and customs of the sector. He submitted that at the relevant dates the only non-LTC taxi was the old Metrocab, and that looked very different to the marks. Mr Campbell is entirely right that the marks applied for look different to the Metrocab, but that is not the correct test. As I have said, it is necessary to widen the perspective to all the different designs of vehicle and the range of variations of each of their features. When the matter is looked at in that way, the marks do not differ significantly from the norms and customs.

50. Accordingly I think the judge was right to hold that the marks in question did not have inherent distinctive character. If they are to be held to have distinctive character, they must have acquired it by use.

Issue 2(b): acquired distinctive character

51. This is the major area of dispute between the parties. The judge directed himself on this topic by reference to his own decision in *Société des Produits Nestlé SA v Cadbury UK Ltd* [2016] EWHC 50 (Ch) at [45]-[60], a case concerning the validity of marks depicting the shape only of a four-fingered bar of chocolate sold in fact under the word mark Kit Kat. At [57] he said that:

“... in order to demonstrate that a sign has acquired distinctive character, the ... trade mark proprietor must prove that, a significant proportion of the relevant class of persons perceives the relevant goods or services as originating from a particular undertaking *because of* the sign in question (as opposed to any other trade mark which may also be present).” (original emphasis)

52. Since the judge gave his judgment in the present case, we have had the opportunity in this court to consider the correct approach to determining whether a mark has acquired distinctive character in the appeal from Arnold J’s judgment in *Nestlé*. After citing the passage from that judgment which I have quoted above, Kitchin LJ (with whom Sir Geoffrey Vos Ch and I agreed) put the test in this way at paragraph [52]:

“The applicant must prove that, as a result of the use he has made of the mark, a significant proportion of the relevant class of persons perceives the goods designated by that mark, as opposed to any other mark which might also be present, as originating from a particular undertaking. Put another way, the mark must have come to identify the relevant goods as originating from a particular undertaking and so to distinguish those goods from those of other undertakings.”

53. As Kitchin LJ went on to explain later in his judgment, particularly at paragraphs [77] to [79], it is not sufficient for the trade mark owner to show that a significant proportion of the relevant class of persons *recognise and associate* the mark with the trade mark owner’s goods. He must show that they perceive that the goods designated by the mark originate with a particular undertaking and no other.

54. The judge considered the issue of acquired distinctive character, firstly, from the perspective of the average taxi driver and by reference to the criteria specified in the case law of the CJEU. No criticism is levelled at him for approaching the matter in this way. He considered the issue under a number of headings: the market share held by goods bearing the mark, how intense, geographically widespread and long-standing the use of the mark has been, the amount invested by the proprietor in promoting the mark, the proportion of the relevant class of persons who, because of the mark, perceive the goods or services as emanating from the proprietor. He concluded at paragraph [191] that, overall, LTC had not demonstrated that either of

the trade marks had acquired distinctive character amongst a substantial portion of taxi drivers in the UK or even in London as at May 2014.

55. Turning to LTC's case, which required treating the average consumer as including consumers of taxi services, or taxi hirers as I have called them, the judge summarised LTC's case as based on inferences drawn from the following four factors:
- i) the fact that LTI and LTC had had a *de facto* monopoly of taxis having a similar appearance in London for decades;
 - ii) the absence of anything other than shape which could indicate trade origin;
 - iii) the fact that LTI and LTC have had a policy to preserve the distinctive appearance of their taxis through successive models;
 - iv) the steps taken by LTI and LTC to educate the public.
56. The judge considered that none of these factors, whether individually or in combination, justified the inference that consumers of taxi services identify the source of LTC's taxis because of the shape of those taxis. Then, the judge observed at [194] that the fundamental difficulty with LTC's case was that there was no reason why consumers of taxi services should care about the origin of the taxis driven by their drivers. Although the consumers of taxi services have, to a greater or lesser extent, preconceptions about what a licensed London taxi looks like and that these preconceptions have been influenced by the presence on the streets of LTC's taxis, the fact that the vehicle was a licensed London taxi sufficiently conformed to those preconceptions. The identity of the manufacturer was a matter of indifference to such consumers. Overall, therefore, he concluded that even if the relevant average consumer included a consumer of taxi services LTC had not demonstrated distinctive character at May 2014. It followed on this basis that both the UKTM and the CTM were invalid.
57. Mr Campbell submitted that a good starting point for his case was that it was common ground that the LTC marks had, by the relevant date, acquired a secondary meaning. By this he meant that, to relevant consumers, the shape did signify a licensed London taxi. Even if it were not common ground, the evidence to this effect was overwhelming, exemplified by the statement of Sir Charles Masefield, referred to above, that the new Metrocab was "*instantly recognisable as an iconic London Hackney Cab*". Moreover Mr Campbell made the point that there was good evidence that the shape had acquired distinctiveness in the judge's findings about customers' reactions to the Vito. The fact that customers shunned the Vito in favour of the more traditional design of taxi, of which his clients were in fact the only trade source, was indicative that the shape was distinctive and that it could change economic behaviour. There was similar evidence to the effect that customers preferred the traditional design of taxi to the Metrocab in either of its earlier versions. Mr Campbell recognises, however, that if this is all that the shape signifies, it is not, applying the test in *Nestlé* in the Court of Appeal, sufficient to get him home.
58. Mr Campbell also submitted that the existence of a *de facto* monopoly in the shape had been established, and the judge had not dealt with this aspect of the case in a satisfactory way. The only incursion on the monopoly which the judge had referred

to was the Metrocab, which the judge had recognised was a different shape. In the paragraph of his judgment where he dealt with the *de facto* monopoly, the judge had said:

“... if and to the extent that consumers of taxi services care about the trade origin of taxis they hired, they will have learnt that licensed London taxis of a different shape to LTC’s taxis had a different origin.”

59. Mr Campbell submits that this is not an answer to the point that the judge is dealing with at this point, and insofar as it is a finding that customers have learnt that shape has an origin function, it assists LTC and not the respondents.
60. The focus of Mr Campbell’s attack on this part of the judgment was, however, that the judge had effectively ignored important evidence of the way in which LTC had educated the public as to the trade mark significance of the shape. For many years LTC had been responsible for advertisements which appeared in pairs on the bottoms of the flip-up seats in the interior of the taxis, visible to passengers in the main seats when the flip-up seats are not occupied. There were a number of pairs of such advertisements, all of which also carried some identification of the manufacturer at the relevant date:
- i) the first pair did not display the shape of the taxi. The left-hand advertisement asked “*Who’s behind this cab?*”, whilst the right-hand advertisement, said “*Manganese Bronze Holdings plc [a predecessor of LTC] is the fast-growing engineering group behind one of the world’s most famous symbols – the black cab. Following a tradition that spanned some 110 years, the taxi you are riding in right now sets a new standard in black cab design and comfort*”.
 - ii) There followed a pair of advertisements used between January and September 2005 where one advertisement features a front view of the TXII and has the headline “*The World’s Most Famous Taxi*” and bullet points including “*purpose-built and distinctive*” and “*a great British Icon*”, whilst the other showed the body shape of a TXII and chassis separated to emphasise various safety features.
 - iii) The next pair of advertisements was introduced around July 2009. The first in this pair asks “*Did you know this taxi... is built by British company called LTI [another predecessor of LTC] and has unique features?*” Above and below a picture of the TX 4 it says “*is instantly recognised... as a British Icon*”. The second asks “*Did you also know... This taxi is sold all over the world?*” Beneath it are pictures of the TX4 in what looks like Paris, the Gulf and Las Vegas, with the lines “*is recognised the world over*”, “*is part of the best taxi service in the world*” and “*is also available in left-hand drive*.”
 - iv) The last of pair of seat advertisements has the headline “*Choose an Iconic Black Cab*”. It continues with bullet points including “*It’s a recognisable taxi and you can trust the quality*”.
61. Mr Campbell also showed us brochure material directed at drivers in which the messages of ease of recognition, quality and safety were stressed.

62. The judge considered that the nearest things which LTC could point to as promoting the shape of the vehicle as an indication of origin were the tip-up seat advertisements. However he concluded at paragraph [185] that there was nothing in them which conveyed the message that the shape of the taxi denotes its trade origin. Accordingly he held, at paragraph [193(iv)], that although he accepted that LTC had educated the public that they were the manufacturers of their taxis, they did not take any steps to educate the public that the shape of their taxis denoted their trade origin.
63. Mr Campbell takes exception to the absolutist terms in which the judge dismisses the tip-up seat advertisements. The message conveyed by those advertisements was, in essence, that there was only one manufacturer of the illustrated shape of taxi. The public would infer that the manufacturer would be unlikely to feature the shape of the taxi so prominently in his advertisements if there were other manufacturers of the same shape of taxi.
64. Mr Campbell also relied on the evolution of LTC's taxis through the small changes in shape which we can see from the Fairway to the TXII. He says that LTC's purpose in evolving the design in this way was to preserve the distinctive appearance as an indication of origin.
65. Whilst there is some force in Mr Campbell's submissions, I was not in the end persuaded that we would be justified in interfering with the judge's overall assessment that the evidence was not adequate to establish that taxi hirers had come to perceive the shape of the taxi as denoting vehicles associated with LTC and no other manufacturer. My reasons, all of which the judge plainly had in mind, are as follows.
66. Firstly, one must remember, as always in the case of a shape mark, that the public are not used to the shape of a product being used as an indication of origin. Secondly, even though I would not, as I have said, necessarily exclude hirers as a class of average consumer, they constitute a class of consumer whose focus will be on the provider of the services being supplied more than on the manufacturer of the vehicle in which they are travelling. It will be hard to interest them, far less educate them, in the topic of whether the shape of the taxi is an indication of a unique trade source. Thirdly, the hirer is aware of the regulation of London taxis and that taxis of the shapes shown in the registrations can be relied on to be licensed London taxis. One must be careful therefore to distinguish this message admittedly conveyed to them by the shape, from that which is necessary to show that the mark has acquired trade mark significance.
67. In these circumstances it is particularly important to see evidence from which it can be deduced that consumers have come to understand that there is only one manufacturer of taxis of that shape. Whilst I might not have expressed myself in quite such absolute terms about the tip-up seat material, I see nothing in the materials which we were shown which persuades me that the judge, overall, came to an incorrect conclusion on this issue, or one with which we could properly interfere.
68. Even if one restricts consideration to taxi drivers, contrary to LTC's primary case, it is to my mind not established that such drivers would perceive the shape, as opposed to LTC's conventional marks, as an indication that the taxis are those of one manufacturer only. In any event, as the judge noted at paragraph [181], it had not

been LTC's case that if the marks had not become distinctive to hirers, they had nonetheless become distinctive to taxi drivers.

69. It follows, therefore, that the marks relied on are invalid. It is not necessary for me to go any further in order to reach a decision dismissing the appeal. However, in case the matter is pursued further, I will explain briefly how I would have disposed of the remaining issues.

Issue (iii): Substantial value

70. This ground of invalidity – that the sign consists exclusively of the shape which gives substantial value to the goods – gives rise to issues of interpretation of the legislation which are not without difficulty. Advocate General Szpunar put it bluntly in paragraph [69] of his opinion in Case C-205/13 *Hauck GmbH & Co KG v Stokke A/S* when he said in respect of this provision:

“I would like to point out at the outset that the third indent of Article 3(1)(e) of the directive is not worded clearly. That is demonstrated by the large variance in the interpretation of it.”

71. He pointed out in a footnote that the authors of a study compiled for the Commission by the Max Planck Institute for Intellectual Property and Competition Law noted that the legal rationale of this provision is unclear and suggested that it be repealed or amended.

72. The judge took his guidance on this issue largely from the decision in *Hauck* and, more particularly from the factors identified as relevant by Advocate General Szpunar in his opinion in that case. One factor which the judge considered in relation to the UKTM was consumer perception. At paragraph 213(i) the judge said this:

“Consumer perception: by 1 December 2006 the TX1 had been on sale for over nine years. As I have said above, any goodwill generated by such sales must be disregarded. It does not follow that the UKTM must be treated as if it were an unused mark. It is implicit in LTC's own case that, as at that date, the average consumer in the UK would recognise the shape as that of a London taxi. The shape is thus one which consumers placed a value on.”

73. The judge noted that LTC had a registered design for the TX1. He concluded at paragraph [214] :

“Taking all of the factors into consideration, the conclusion I draw is that the shape of the TX1 did add substantial value to the goods. Furthermore, I consider that upholding this objection to the validity of the UKTM would be consistent with the purpose of Article 3(1)(e)(iii) as explained by the Advocate General and the Court of Justice in *Hauck*, since it would prevent LTC obtaining a permanent monopoly in respect of the shape of the TX1, rather than a 25-year monopoly by virtue of the registered design.”

74. The judge reached a similar conclusion in relation to the CTM, even though no specific registered design was owned by LTC for the product shown, the Fairway.
75. It is clearly the case that goodwill in the trade mark sense needs to be disregarded for the purposes of assessing whether the mark adds substantial value to the goods: see *Philips v Remington* [1999] RPC 809 at 822-3; *Julius Samaan Ltd v Tetrosyl Ltd* [2006] EWHC 529 (Ch) at [100] (Kitchin J), a point of view supported by the recent opinion of Advocate General Szpunar in Case C-163/16 *Christian Laboutin and another v Van Haren Schoenen BV* at [70]. In *Julius Samaan* Kitchin J said “It is the shape itself which must add substantial value”.
76. Despite this existing guidance, I do not regard as entirely clear cut the question of whether, in addressing substantial value, one should take into account or ignore the fact that consumers will recognise the shape as that of a London taxi. On one view, at least, to take account of that fact would not be to decide the issue by reference only to “the shape itself”. I would also put in the same category the question of the relevance of the presence or availability of design protection in fact. These are questions on which, had they been critical to the decision, I would have sought the opinion of the CJEU on a preliminary reference.

Issue (iv): revocation of the CTM for non-use

77. The ground of revocation applies only to the CTM. The relevant five year period runs from 30 April 2009 to 1 May 2014. LTC contends that it did make genuine use of the mark during this period through sales and other disposals of used Fairway taxis. In the alternative, LTC relied upon sales during this period of the TX1, TXII and TX4 as being use of the CTM in a form differing in elements which do not alter the distinctive character of the CTM.
78. The judge approached this issue on the basis that sales of second-hand goods could in principle contribute to the genuine use required to resist an allegation of non-use of the trade mark. At paragraph [231] he considered the evidence relied on by LTC:
 - i) during the period in question LTC and its predecessor sold 264 used (i.e. second-hand) Fairways at an average price of £585. These were vehicles which LTC and its predecessor had acquired by way of part exchange for new taxis which they were selling, and which they then re-sold. With the sole exception of one sale to a customer in Italy in December 2009 for a price of £2,000, all of these sales were in the UK.
 - ii) In addition, LTC and its predecessor disposed of 314 Fairways for scrap, the majority of which were given away for free, but nearly 70 of which were sold at prices ranging from £50 to £150, making an average sale price of £26.
79. In the judge’s view, the use relied on by LTC did not constitute genuine use of the CTM in the Community. The key consideration was the nature of the activity relied on. The use did not help to create or maintain a share of the market for vehicles bearing the CTM. On the contrary, production of those vehicles had long since ceased and been superseded by the production of later models.

80. The judge also considered whether there was use of the CTM in a form differing in elements which did not alter its distinctive character. Here, LTC relied on sales of the TX1, TX2 and TX4 in the relevant period rather than the Fairway. He concluded that the differences between the CTM, if it had distinctive character, and other models meant that LTC could not take advantage of this provision, particularly when one had regard to statements made by LTC about how different their new models were when they were launched. He therefore held that the CTM should be revoked in respect of goods in class 12 for lack of genuine use with effect from 2 May 2014.
81. Mr Campbell's principal attack on the aspect of the judgment concerned with use of the Fairway was that the judge had failed to follow through on his assumption that second hand use could in principle amount to genuine use. I do not think this criticism is justified. The judge did take the second hand use into consideration, but held that, against a background where the production of the Fairway had long since ceased, and where even sales of used vehicles had dried up, the second hand use relied on could not save the mark. That was because it was not used to create or preserve a market for the goods under the CTM. I agree with the judge that the sales of the Fairways did not amount to genuine use in the relevant sense.
82. As to the use of the mark on taxis differing from the Fairway, Mr Campbell submitted that the judge had failed to assess whether the differences between the various models affected distinctive character from the point of view of the taxi hirer. An assessment of this issue requires one to make an assumption about the nature of the distinctive character of the mark. As I have concluded that the marks lacked distinctive character, this is necessarily a hypothetical exercise. However, if one assumes that the mark had distinctive character, I would not for my part have thought that the small differences between models were such as to alter that character. It is true that one can see the differences when they are pointed out to one, but that is not the correct test. I would, had it been necessary to decide it, have concluded that the use of the other models was sufficient to rebut the attack of non-use.

Issue (v): infringement under Article 9(1)(b)/Article 5(1)(b)

83. The judge approached the issues of infringement by assuming, contrary to his conclusions, that both of the trade marks had at least a modest degree of either inherent or acquired distinctive character. He had to make an assumption of this kind, because it is recognised that one of the factors in the assessment of a likelihood of confusion is the degree of distinctiveness of the mark. However, what the assumption illustrates is that consideration of the issue of infringement in circumstances where the mark has been declared invalid for lack of inherent or acquired distinctiveness is an empty exercise.
84. Mr Campbell's main submission in this area was the judge had approached the necessary comparison, mark for sign, at the wrong level of generality, concentrating on minor differences where an overall visual comparison was what counted. I reject that submission. The judge did identify differences, but it is clear from the way in which he expressed himself that he then stood back and made the overall comparison required by the case law. He did not fall into the error identified by Mr Campbell. It would be wrong for us to substitute a different evaluation when the judge has made no identifiable error of principle.

85. I would only add that the conclusion reached by the judge is not a surprising one. The differences between the trade marks on the one hand and the design of the new Metrocab are quite striking, and far greater than the minor evolutionary differences between the various models of LTC cab. Whether those differences would have been sufficient to offset a conclusion that the shape had become highly distinctive as an indication of origin is a matter on which I would prefer not to express a view.

Issue (vi): infringement under Article 9(1)(c)/Article 5(2)

86. These provisions have been reviewed in this court very recently: see *Maier v Asos plc* [2015] EWCA Civ 220; [2015] FSR 20 at [118] to [127]; *Comic Enterprises Ltd v Twentieth Century Fox Film Corporation* [2016] EWCA Civ 41; [2016] FSR 30 at [107] to [123]. In *Maier*, Kitchin LJ explained the general approach to infringement under these provisions at [119]:

“Assos was required to show that the mark ASSOS had a reputation; that the use of the sign ASOS had given or would give rise to a link with the mark in the mind of the average consumer; and that the use of the sign without due cause had taken or would take advantage of, or had been or would be detrimental to, the distinctive character or repute of the mark.”

87. The judge explained that it followed from his conclusion that neither of the trade marks had a distinctive character that they did not have a reputation. He went on to find that, even if he had concluded that they had acquired a modest degree of distinctive character, he would not have found that they had a reputation. Nevertheless, he assumed for the purposes of his judgment that they did have a reputation.

88. As to the existence of a link with the mark in the mind of the average consumer, the judge found that the new Metrocab was sufficiently similar to each of the trade marks that it would remind the average consumer of each of the trade marks, while appreciating that it differs from them. The respondents do not challenge that conclusion. The judge went on to say that he was not persuaded by LTC’s contentions that the use of the sign (a) would result in detriment to the distinctive character of the trade marks and (b) would take unfair advantage of the reputation attaching to them.

89. The judge did not explain why he considered that LTC’s taxis, assuming they had a distinctive character, did not have a reputation. Indeed, at paragraph [186] of his judgment the judge said that those taxis were well known, regarded with affection and identified with London. If they had a distinctive character, I would for my part, and on the basis of those findings, have concluded that they also had a reputation.

90. Mr Campbell submitted that this was a case where detriment followed. If LTC taxis had a distinctive character and a reputation, then the respondents’ threatened use of their taxis would mean that the marks would no longer designate exclusively their taxis. Indeed it was the respondents’ express intention to create something which brought the design of the classic London taxi to mind. There would be a resultant change in economic behaviour, given that there was clear evidence of a consumer preference amongst both taxi drivers and hirers for the LTC shape. As the judge said:

“There is evidence from which it may be inferred that taxi drivers would be more likely, all other things being equal, to purchase a new taxi if it was readily recognisable as a licensed London taxi...”.

91. I broadly accept Mr Campbell’s submissions on this aspect of the case. If I had concluded that the LTC marks had an inherent or acquired distinctive character, on the basis of the judge’s findings of fact, I would have concluded that there was infringement under these provisions.

Issue (vii): defence under Article 12(b)/Article 6(1)(b)

92. In *Maier v Asos* (cited above), Kitchin LJ explained at [147] that all defences in Article 12 of the Regulation have been interpreted by the Court of Justice as importing a duty to act fairly in relation to the legitimate interests of a trade mark proprietor. He continued at [148]:

“In considering whether a defendant is acting fairly in relation to the legitimate interests of the trade mark proprietor it will be relevant to consider, among other things, whether there exists a likelihood of confusion; whether the trade mark has a reputation; whether the use of the sign complained of takes advantage of or is detrimental to the distinctive character or repute of the trade mark; and whether the possibility of conflict was something which the defendant was thought to have been aware. The national court must carry out an overall assessment of all the circumstances in determine whether the defendant is competing unfairly.”

93. In the present case, it was common ground that the shape of the new Metrocab was an indication concerning the kind and intended purpose of the vehicle, namely that it was suitable for use as a licensed London taxi. The issue for the judge was, on the assumption that the respondents had lost on the issues considered so far, whether the marketing of the new Metrocab was in accordance with honest practices.

94. The judge expresses conclusion in the following way:

“Overall, I do not consider that the Defendants' use of sign amounts to unfair competition with LTC. On the contrary, even if it is assumed that there is a likelihood of confusion and/or detriment to the distinctive character of the Trade Marks, I consider that the injury is one that the law should require LTC to tolerate having regard to the nature of the use complained of and the justification for it. Accordingly, the use is in accordance with honest practices. If necessary, therefore, I would hold that the Defendants have a defence under Article 12(b)/Article 6(1)(b).”

95. Mr Campbell submitted that the judge had fallen into error by considering this issue by reference to the list of potentially relevant factors which the judge himself had identified in his judgment in *Samuel Smith Old Brewery (Tadcaster) v Lee* [2011]

EWHC 1879 (Ch), [2012] FSR 7 at [118]. Thus, for example, under the rubric “*Whether the defendant knew of the existence of the trade mark, and if not whether it would have been reasonable for it to conduct a search*”, the judge had concluded that there was no evidence that the respondents were aware of the marks and that, given the nature of the marks, it would have been reasonable for the respondents not to have searched for them. Mr Campbell submitted that the first issue was one on which the respondents should have put in evidence, as it was entirely a matter within their knowledge. On the face of it a large company, acting reasonably, should have checked for marks of all kinds which might be owned by their major competitor. In any event, the action was brought *quia timet*, so the defendants would know of the marks by the time they launched their products. There were other matters in the judge’s list of factors, such as “*whether the defendant used the sign complained of in reliance on competent legal advice based on proper instructions*” and “*whether the defendant knew that the trade mark owner objected to the use of the sign complained of, or at least should have appreciated that there was a likelihood that the owner would object*” which were also within the defendants’ knowledge and about which the judge observed there was no evidence. Equally, by the date of launch (which has yet to occur) the respondents would be well aware of LTC’s objections. The judge also observed under the rubric “*whether there has been actual confusion, and if so whether the defendant knew this*” that there had been no actual confusion to date. Mr Campbell observes that this is hardly surprising given that the action was brought *quia timet*.

96. On the assumptions which it is necessary to make at this stage of the analysis, namely that the mark has distinctive character, a reputation, and that there is a likelihood of confusion and/or detriment to the distinctive character of the trade marks, I would for my part consider that a defence under these provisions ought to fail. I do not see why the rights of the registered proprietor of trade marks which, on this hypothesis, convey a clear message about origin, should be trumped because the marks also convey the message that the vehicle is a licensed London taxi. If there are other ways of conveying that second message, which there plainly are, then those ways should be used so as to avoid confusion and detriment to the distinctive character of the mark.

Issue (viii): passing off

97. The judge, and both parties on this appeal, dealt with this aspect of the case very lightly, although there was no formal agreement that the case on passing off would yield the same result as that based on infringement of trade marks. Because of the later date for assessment of the common law action, LTC are able to rely on sales of the TX4 in addition to the other models of taxi, but otherwise quite similar issues arise.
98. The judge noted LTC’s claim to goodwill was not based on specific features of shape which are common to all four models, but on abstractions which describe the common features of the four models, particularly when viewed from the front. Even assuming that, in principle, a claim to goodwill could be made at this level of abstraction, he considered that it necessarily increased LTC’s difficulty in establishing that such features denoted the source of its taxis. For essentially the same reasons as the judge gave in relation to acquired distinctive character, he did not consider that these features were relied on by consumers of taxi services to denote the source of LTC’s taxis. In any event, he concluded that there was no evidence that the shape of the new

Metrocab was likely to lead consumers of taxi services to believe that it came from the same source as LTC's taxis, as opposed to being a licensed London taxi.

99. To my mind, LTC faces the same difficulties in establishing the necessary goodwill for the purposes of a passing off action as it did in relation to showing acquired distinctive character the purposes of their trade marks. In addition, as I have already said, the design of the new Metrocab is strikingly different to that of LTC's taxis. I would, accordingly, have reached the same conclusion as the judge.

Application to rely on documents not in Court of Appeal bundles

100. The respondents sought permission to rely on some documents not in the Court of Appeal bundles containing illustrations of taxis and other vehicles. We looked at the material when invited to do so by Mr Platts-Mills, whilst indicating he could not deploy it to invite us to make new findings of fact. It provided us with some modest assistance in understanding the evolution of the design of the London taxi, which in any event the judge had explained in his judgment. To that extent we admitted the documents into the appeal.

Conclusions

101. For the reasons I have given, I would dismiss the appeal against the judge's conclusion that the LTC trade marks were invalid for lack of distinctive character. I would also dismiss the appeal in relation to passing off.

Lord Justice Kitchin:

102. I agree.

Annex

1. The Fairway:



2. The TX1:



3. The TX4:



4. The first Metrocab:



5. The Metrocab TTT:



6. The new Metrocab, oblique and side views:



7. The Vito:

