



Neutral Citation Number: [2020] EWHC 2069 (IPEC)

Case No: IP-2018-000157

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
INTELLECTUAL PROPERTY ENTERPRISE COURT

Royal Courts of Justice, Rolls Building
Fetter Lane, London, EC4A 1NL

Date: 29/07/20

Before :

HIS HONOUR JUDGE HACON

Between :

(1) FIT KITCHEN LIMITED

(2) AMAR LODHIA

- and -

SCRATCH MEALS LIMITED

Claimants

Defendant

David Ivison (instructed by **Appleyard Lees IP LLP**) for the **Claimants**
Beth Collett (instructed by **Waterfront Solicitors LLP**) for the **Defendant**

Hearing date: 17 June 2020

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

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HIS HONOUR JUDGE HACON

Judge Hacon :

Introduction

1. The Second Claimant (“Mr Lodhia”) is a businessman who with his late sister had the idea of setting up a provider of healthy foods. The First Claimant (“FKL”) was incorporated in February 2015 as the vehicle for the business. FKL started trading in 2015 under the name “Fit Kitchen”.
2. Since June 2016 its products have been marketed and sold solely using the website www.fitkitchen.uk.com. Customers register online, enter their details including food preferences, and ready meals are delivered to the customer’s door. Among the details entered are the customer’s desired macronutrients or “macros” – the relative proportions of carbohydrates, protein and fat preferred. The meals delivered are advertised as conforming with the customer’s macros and as providing healthy eating.
3. On 8 August 2016 FKL applied to register a trade mark in respect of “Catering (Food and drink); Food preparation and services” in Class 43. The mark (“the Trade Mark”) was granted as UK Trade Mark No. 3179170 on 4 November 2016. It takes this form:



4. The Defendant (“SML”) makes ready meals, selling them through supermarkets. Between December 2016 and November 2019 SML sold its meals under the sign FIT KITCHEN. This is an image of one of SML’s meals in its former packaging:



5. The Claimants allege that the sales of SML’s products under the FIT KITCHEN sign infringed the Trade Mark and constituted passing off.

6. Those allegations are denied by SML which counterclaims for revocation of the Trade Mark pursuant to sections 47(1) and 3(6) of the Trade Marks Act 1994 (“the Trade Marks Act”).
7. David Ivison appeared for the Claimants, Beth Collett for SML.

The issues

8. The issues as argued at trial fell under three heads. The first was the validity of the Trade Mark which turns on whether it was registered in bad faith. Under the second were the issues of infringement under ss.10(2) and 10(3) of the Trade Marks Act. The third concerned passing off. I will take them in that order.

The witness

9. Mr Lodhia was the only witness. He was a very good witness, giving clear answers without prevarication.

Bad Faith and the validity of the Trade Mark

The evidence

10. On 17 May 2016 the Registrar of Companies sent a letter to FKL headed “Companies Act 2006 (Section 1000(3))” stating:

“The Registrar of Companies gives notice that, unless cause is shown to the contrary, at the expiration of 2 months from the above date the name of FIT KITCHEN LIMITED will be struck off the register and the company will be dissolved. Upon dissolution all property and rights vested in, or held in trust for, the company are deemed to be bona vacantia, and accordingly will belong to the crown.”

11. Section 1000 of the Companies Act 2006 as amended (“the Companies Act”) is concerned with companies which, on the reasonable belief of the registrar, are not carrying on business or in operation and is therefore liable to be struck off:

“1000 Power to strike off company not carrying on business or in operation

(1) *If the registrar has reasonable cause to believe that a company is not carrying on business or in operation, the registrar may send to the company a communication inquiring whether the company is carrying on business or in operation.*

(2) *If the registrar does not within 14 days of sending the communication receive any answer to it, the registrar must within 14 days after the expiration of that period send to the company a second communication referring to the first communication, and stating –*

- (a) *that no answer to it has been received, and*
- (b) *that if an answer is not received to the second communication within 14 days from its date, a notice will be published in the Gazette with a view to striking the company's name off the register.*

(3) *If the registrar –*

- (a) *receives an answer to the effect that the company is not carrying on business or in operation, or*
- (b) *does not within 14 days after sending the second communication receive any answer,*

the registrar may publish in the Gazette, and send to the company a notice that at the expiration of 2 months from the date of the notice the name of the company mentioned in it will, unless cause is shown to the contrary, be struck off the register and the company will be dissolved.

- (4) *At the expiration of the time mentioned in the notice the registrar may, unless cause to the contrary is previously shown by the company, strike its name off the register.*
- (5) *The registrar must publish notice in the Gazette of the company's name having been struck off the register.*
- (6) *On the publication of the notice in the Gazette the company is dissolved.*
- (7) *However –*
 - (a) *the liability (if any) of every director, managing officer and member of the company continues and may be enforced as if the company had not been dissolved, and*
 - (b) *nothing in this section affects the power of the court to wind up a company the name of which has been struck off the register.”*

12. It was common ground that if a company fails to file its annual accounts, that may be sufficient to give the registrar reasonable cause to believe that a company is not carrying on business. FKL's accounts for the year 2015-16 were not filed. It is to be assumed that since the letter of 17 May 2016 was sent under s.1000(3) this was the second communication from the registrar and there may have been publication of a notice in the Gazette that upon the expiration of two months from 17 May 2016 FKL would be dissolved unless cause was shown to the contrary. In all events, the company was dissolved on 2 August 2016. On 30 May 2017 an application was made on behalf of FKL to restore it to the register. It was restored on 11 December 2017.

13. The significance of this is that FKL applied for the Trade Mark on 8 August 2016, after the date of dissolution and before the date of restoration to the register.
14. Mr Lodhia said that he could not be completely sure why he did not receive notifications from the registrar, but the most likely reason was that for some years, including 2016 and 2017, there had been persistent problems with post intended for FKL being wrongly delivered to the East London Arts and Music School. The address of the school is 45 Maltings Close, London E3 3TA whereas Mr Lodhia's address for correspondence at that time was 45 Maltings Close, London E3 3TB. Mr Lodhia explained that since 2017 there had been large scale instances of post destined for the school being sent to him. This prompted the placing of a notice at Mr Lodhia's property stating "We are not East London Arts and Music School". The school was not yet operating in 2016 although it was being set up. It did not receive students until September 2017.
15. It was not in dispute that in all likelihood FKL's failure to file its accounts for the year 2015/16 led to the sending of notices by the registrar and the dissolution of the company. There was a letter in evidence from FKL's accountants stating that they were at fault in failing to file the accounts.
16. Mr Lodhia continued his explanation of events. In May 2017 he noticed that FKL's bank app on his mobile phone would not allow the transfer of funds, showing "error". He went to the branch of Metro Bank in the City and was told that Companies House had frozen the account. He described this as coming to him as a massive shock. At the bank's suggestion he contacted Companies House, discovered what had happened and asked a lawyer friend how to go about restoring FKL to the register. The application was made on 30 May 2017 and the company was restored on 11 December 2017.
17. Mr Lodhia's evidence was that during the period in which FKL was dissolved he continued running the Fit Kitchen business as before. If the business is not deemed to have been conducted by FKL during that period (as to which, see below), it was conducted by Mr Lodhia. On advice from Mr Lodhia's solicitor, on 4 October 2018 Mr Lodhia and FKL each granted to the other a sole licence to use the name FIT KITCHEN and the device registered as the Trade Mark, retrospectively from 2 August 2016, and a sole licence to use the Trade Mark itself, retrospectively from 8 August 2016. The licences also provided that goodwill accruing from the licensee's use of the name or device would accrue to the licensor.

The pleaded argument of bad faith

18. I will set out SML's pleaded case on bad faith because it came to have some significance (it was not drafted by Ms Collett):
 - "33. The First Claimant's Mark should be declared invalid pursuant to s. 47(1) of the Trade Marks Act 1994 ("the Act") on the ground that the application for the First Claimant's Mark was made in bad faith contrary to s. 3(6) of the Act.

PARTICULARS

- (1) The application for the First Claimant's Mark was made in the name of the First Claimant on 8 August 2016.
- (2) The First Claimant was dissolved and struck off the register of companies on 2 August 2016.
- (3) The Claimants knew that the First Claimant was liable to be dissolved and struck off as from 17 July 2016 as they had received the notice from Companies House at p. 10 of Annex 2.
- (4) The Second Claimant filed, alternatively procured the filing of, the application for the First Claimant's Mark in the express knowledge that:
 - (i) The First Claimant was not at that time in fact conducting, or capable of conducting, any or any material trade under the First Claimant's Mark; and
 - (ii) The First Claimant had already been dissolved and struck off the register of companies.
- (5) In the premises, the application for the First Claimant's Mark was an act which fell short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in this area."

The law

19. There was no dispute about the law in relation to s.3(6) of the Trade Marks Act as derived from art.4(2) of Directive 2015/2346. It was common ground that bad faith on SML's pleaded case turned on the allegation in subparagraph (5) of paragraph 33 of the Counterclaim: whether Mr Lodhia's knowledge of the dissolved status of FKL on 8 August 2016 rendered the application for the Trade Mark an act which fell short of standards of acceptable commercial behaviour observed by reasonable and experienced men (and women) in this area.

Discussion

20. I can take the main point briefly. I found Mr Lodhia's evidence of what happened entirely convincing. Moreover, SML could not suggest the slightest reason why, if Mr Lodhia knew about the letters from the registrar, he did not write to the registrar and point out that FKL was still trading, as plainly it was. The idea that Mr Lodhia put himself through the alarm and effort caused by allowing FKL to be dissolved, when the cost of a letter would have avoided the trouble, makes no sense. In closing Ms Collett, in my view correctly, did not dispute Mr Lodhia's evidence in cross-examination that he did not know on 8 August 2016 that FKL had been dissolved. That concession means that there was no bad faith as pleaded and the counterclaim fails.

21. Ms Collett advanced an alternative unpleaded case. It was that irrespective of Mr Lodhia's knowledge, on the date of application for the Trade Mark FKL had been dissolved. A dissolved company cannot apply for a trade mark. The validity of the mark must be assessed as of the application date. Therefore the Trade Mark is invalid. The point was argued and in deference to those arguments I will say what they were.

22. Mr Ivison pointed to s.1028(1) of the Companies Act:

“1028 Effect of administrative restoration

(1) *The general effect of administrative restoration to the register is that the company is deemed to have continued in existence as if it had not been dissolved or struck off the register.”*

23. Mr Ivison submitted that since the restoration of FKL on 11 December 2017 it is to be deemed to have been on the register at all material times, including 8 August 2016 and was therefore entitled to apply for the Trade Mark.

24. Ms Collett responded by drawing my attention to ss.1012 and 1034(1) of the Companies Act:

“1012 Property of dissolved company to be bona vacantia

(1) *When a company is dissolved, all property and rights whatsoever vested in or held on trust for the company immediately before its dissolution (including leasehold property, but not including property held by the company on trust for another person) are deemed to be bona vacantia and –*

(a) *accordingly belong to the Crown, or to the Duchy of Lancaster or to the Duke of Cornwall for the time being (as the case may be), and*

(b) *vest and may be dealt with in the same manner as other bona vacantia accruing to the Crown, to the Duchy of Lancaster or to the Duke of Cornwall.*

(2) *Subsection (1) has effect subject to the possible restoration of the company to the register under Chapter 3 (see section 1034).*

...

1034 Effect of restoration to the register where property has vested as bona vacantia

(1) *The person in whom any property or right is vested by section 1012 (property of dissolved company to be bona vacantia) may dispose of, or of an interest in, that property or right despite the fact that the company may be restored to the register under this Chapter.”*

25. Ms Collett argued that the Crown's ability to sell the application for the Trade Mark immediately after the date of application underlines the fact that if the application was properly made by FKL, or is deemed to have been properly made, the application was owned by the Crown. The registered Trade Mark which has since matured from that application must also be owned by the Crown.
26. Mr Ivison had a response. He said that the effect of ss.1012 and 1034(1) was that if, between 8 August 2016 and 11 December 2017, the Crown had sold the application or the registered Trade Mark to a third party, FKL could not now rely on s.1028(1) to undo that transaction and the Trade Mark would belong to the third party. But the Crown did nothing of the kind, so the deeming provision of s.1028(1) applies in full. Since FKL is now deemed to have continued in existence at all times, including 8 August 2016, there can be no doubt that the application for the Trade Mark was properly made by FKL and the Trade Mark belongs to FKL.
27. These are interesting arguments but they are for another day. Had SML's alternative case been pleaded it could and no doubt would have been explored in greater depth. As it is, I leave it to one side.

Infringement

Section 10(2) of the Trade Marks Act

28. Again, SML's pleaded defence to the allegation of infringement under s.10(2) matters. The allegation was set out in paragraph 16(1) of the Particulars of Claim with further detail in subsequent paragraphs. This was the answer in the Defence:
 - “22. The general allegation of infringement in the main body of paragraph 16 is denied. Paragraph 8 is repeated. The Defendant cannot infringe an invalid mark. The specific allegations of infringement are further denied for the reasons set out below.
 23. As to paragraphs 16(1), 17, 21 and 22, it is denied that there exists a likelihood of confusion on the part of the consumer in light of the differences between mark and sign and between the respective goods and services. Pending the provision of further information, disclosure and/or cross-examination, it is not admitted that the alleged instances of confusion set out in paragraph 21 and the steps taken in paragraph 22 are any reliable guide to the likelihood of confusion between notional and fair use of the First Claimant's mark in relation to the services in its specification and the Defendant's use of the signs complained of. Further, the number of emails relied on by the First Claimant is insignificant when compared to the scale of trade carried out by the Defendant over that period.”
29. Paragraph 8 of the Defence, so far as is relevant, asserted that the Trade Mark should be declared invalid.

30. At the trial Ms Collett conceded that its sign FIT KITCHEN is similar to the Trade Mark and that its goods are similar to the services for which FKL's mark is registered. That entirely realistic concession had the effect of abandoning the only pleaded ground advanced in opposition to the allegation that there was a likelihood of confusion on the part of the public.
31. An unpleaded argument was then raised, but before turning to it I will briefly consider the likelihood of confusion on the evidence. The similarities between mark and sign and between the relevant services and goods point towards a likelihood of confusion. I would note that the dominant component of the Trade Mark is FIT KITCHEN, which is visually, aurally and conceptually identical to SML's sign, see *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* (C-342/97) EU:C:1999:323 [2000] FSR 77, at [28].
32. FKL gave evidence of 65 instances in which members of the public had contacted FKL about SML's products, usually to complain about something. There were other, albeit fewer, instances of apparent confusion evidenced by disclosure given by SML i.e. SML being contacted by a party who wished to communicate with FKL.
33. I am satisfied on the evidence that there has been relevant confusion. I find that SML has infringed the Trade Mark pursuant to s.10(2) of the Trade Marks Act.
34. However, I will say something about SML's unpleaded argument. It was that use of the FIT KITCHEN sign could not have affected the origin function of the Trade Mark during the period in which FKL was dissolved. FKL did not exist and therefore consumers would not have been able to identify the entity providing the services under the Trade Mark.
35. That, in my view, is to misunderstand the origin function of a trade mark. The function is not to identify any particular entity as the source of the goods or services in question. In *Arsenal Football Club plc v Reed* (C-206/01) EU:C:2002:651 [2002] ECR I-10273 the CJEU said at [48]:

“ ... the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish and maintain, it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality ...”
36. In the second sentence, the CJEU was combining the origin function with the quality function of a trade mark and indeed they are closely related and may be two aspects of the same thing (see the Opinion of Advocate General Jacobs in *Parfums Christian Dior SA v Evora BV* (C-337/95) [1997] ETMR 323, at [41]). Thus, a trade mark guarantees that the marked goods or services have been made or supplied by a single undertaking which is responsible for their

quality. Put another way, a trade mark guarantees that the quality of the marked goods or services is under the control of, or is under the control of a party licensed by, a single entity. The guarantee goes no further. It does not involve an assurance as to the identity of any particular entity.

Section 10(3) of the Trade Marks Act

37. There are four express requirements for infringement by the use of an accused sign within the terms of s.10(3):
 - (1) the trade mark is identical or similar to the sign;
 - (2) the trade mark enjoys a reputation in the United Kingdom;
 - (3) the use of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark;
 - (4) such use is without due cause.
38. For the third requirement to be satisfied, there must be a link between the trade mark and the sign in the mind of the average consumer; the existence of the link is to be assessed globally, taking into account all factors relevant to the circumstances of the case, see *Intel Corp Inc v CPM United Kingdom Ltd* (C-252/07) EU:C:2008:655; [2009] RPC 15, at [30]-[31] and [41] and *Iron & Smith kft v Unilever NV* (C-125/14) EU:C:2015:539; [2015] ETMR 45, at [28]. There is bound to be a link if a likelihood of confusion within the meaning of s.10(2) has been proved, see *Intel* at [57].
39. SML's defences to the allegation under s.10(3) were first, that the Trade Mark does not have a reputation in the UK; secondly and thirdly that SML's use of its sign had neither taken advantage of nor been detrimental to the distinctive character or the repute of the Trade Mark. In closing Ms Collett did not run any argument concerning "without due cause".
40. I begin with reputation. The Court of Justice of the European Union has ruled that in the context of art.5(1) of the Trade Mark Directive 89/104, the date on which the likelihood of confusion must be assessed is the date on which the sign alleged to infringe was first used, see *Levi Strauss & Co v Casucci SpA* Case (C-145/05) EU:C:2006:264, [2006] ETMR 71, at [15]-[20]. Art.5(1) of that Directive was equivalent to s.10(2) of the Trade Marks Act. In *Burgerista Operations GmbH v Burgista Bros Ltd* [2018] EWHC 35 (IPEC); [2018] ETMR 16 I took the view, having considered *Levi Strauss* (at [55]-[59]), that the same date was relevant for the assessment of reputation in art.9(2)(c) of Regulation 207/2009, the equivalent of s.10(3).
41. In the same case I went on to consider the concept of "reputation" within the meaning of art.9(2)(c), with particular reference to *Iron & Smith* and to *PAGO International GmbH* (C-301/07) EU:C:2009:611; [2010] E.T.M.R. 5 (at [60]-[74]). This was in the context of alleged infringement of an EU trade mark:

“[69] I draw the following from the judgments of the Court in *PAGO* and *Iron & Smith* and from the opinion of Advocate General Wahl in *Iron & Smith*:

- (1) An EU trade mark has a reputation within the meaning of art.9(2)(c) if it was known to a significant part of the relevant public at the relevant date.
- (2) The relevant public are those concerned by the products or services covered by the trade mark.
- (3) The relevant date is the date on which the defendant first started to use the accused sign.
- (4) From a geographical perspective, the trade mark must have been known in a substantial part of the EU at the relevant date.
- (5) There is no fixed percentage threshold which can be used to assess what constitutes a significant part of the public; [but] it is proportion rather than absolute numbers that matters.
- (6) Reputation constitutes a knowledge threshold, to be assessed according to a combination of geographical and economic criteria.
- (7) All relevant facts are to be taken into consideration when making the assessment, in particular the market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by undertaking in promoting it.
- (8) The market for the goods or services in question, and from this the identity of the relevant public, ought to assume a paramount role in the assessment.
- (9) The territory of a single Member State (large or small) may constitute a substantial part of the EU, but the assessment must be conducted without consideration of geographical borders.”

42. I think that the same principles can be applied to the present case, substituting the UK for the EU, the Member States in (9) a little awkwardly being the member nations of the UK union.
43. According to Advocate General Wahl in *Iron & Smith* at [17], the paramount role in the assessment is the identification of the relevant public: those concerned with the services covered by the Trade Mark. This is derived from the market for the goods or services in question.

44. The specification of services for which this Trade Mark is registered is broad: Catering (food and drink); food preparation and services. FKL says that it regards the whole of the UK as its potential market. That market therefore encompasses every adult and every child in the UK who may potentially buy their own catered food – practically everyone.
45. There was a dispute about the date on which reputation must be assessed. SML argued that it is 23 September 2016. This is the date on which SML applied to register UK registered trade mark no. 3187357, which takes the form of the words FIT KITCHEN and which has subsequently been registered in respect of a range of food related goods in Classes 29 and 30. FKL argued that the relevant date is December 2016 when SML first started trading under the sign FIT KITCHEN. I think that FKL is right about this. Applying to register a sign as a trade mark does not to my mind constitute use of the sign in the sense contemplated by the CJEU in *Levi Strauss*.
46. The initial conduct of FKL's business under the Trade Mark was from Mr Lodhia's home, beginning in March 2015. The move to conducting the business from the website came in June 2016. The evidence of FKL's use of its Trade Mark up to December 2016 included figures for turnover: £22,689 up to 29 February 2016 and a small amount more between then and December, to be inferred from the turnover figure for 1 March 2016 to 28 February 2017 which was £528. The website was of course accessible to everyone in the UK by December 2016 but there were no figures for website hits or the numbers of people who had registered on the website up to December 2016. There were six Instagram posts by Mr Lodhia in June 2015 and one in September 2015. Only one instance of press coverage happened before December 2016, namely an article in Square Mile magazine dated 19 October 2016.
47. In my view this does not constitute evidence of a reputation in the UK catering services market within the meaning of s.10(3) as that term has been explained by the CJEU. Infringement under s.10(3) has not been established.
48. I would add that had I been satisfied that the Trade Mark had a reputation within the meaning of s.10(3), I would have found that SML's use of the sign FIT KITCHEN took unfair advantage of the repute of the Trade Mark. The email correspondence to SML from individuals who believed they were contacting the provider of ready meals under the Trade Mark, inferentially supported by the correspondence wrongly sent to FKL, suggests that a significant proportion of the public bought SML's products on the back of the repute of FKL's products.

Passing off

49. There was no dispute about the law: FKL had to establish the usual three indicia of passing off, namely goodwill in its business, a misrepresentation on the part of SML and consequential damage, see *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491.
50. The date for assessing goodwill in the same as the date for proving reputation under s.10(3), see *Starbucks (HK) Ltd v British Sky Broadcasting Group plc*

[2015] UKSC 31, at [16]. However, in my judgment the threshold of use required to establish goodwill under the common law tort of passing off is lower than that needed to prove a reputation according to EU trade mark law. FKL relied on *Stannard v Reay* [1967] FSR 140.

51. I take the view that by December 2016, on the evidence referred to above FKL had used the Trade Mark sufficiently to generate goodwill in its business, albeit modest goodwill, and that the goodwill was associated with the Trade Mark.
52. The evidence I have referred to in relation to the likelihood of confusion in the context of s.10(2) supports a finding that there were material misrepresentations by SML caused by the use of the sign FIT KITCHEN.
53. No argument was raised in respect of damage if misrepresentation was established. I find that there was damage and that the allegation of passing off by FKL is made out.

Conclusion

54. FKL succeeds in its claim for trade mark infringement under s.10(2) of the Trade Marks Act, but not s.10(3). FKL succeeds in its claim for passing off.