

O-216-03

**TRADE MARKS ACT 1994
IN THE MATTER OF APPLICATION NO. 12503
BY SAGA LEISURE LIMITED
FOR A DECLARATION OF INVALIDITY
IN RESPECT OF REGISTRATION NO. 2019522
STANDING IN THE NAME OF CARS DIRECT GROUP LTD**

**Trade Marks Act 1994
In the matter of application no. 12503
by Saga Leisure Limited
for a declaration of invalidity
in respect of registration no. 2019522
standing in the name of Cars Direct Group Ltd**

BACKGROUND

1) United Kingdom trade mark registration no 2019522 for the trade mark **CARS DIRECT** is registered for the following services:

factoring of motor vehicles; sales and disposal of motor vehicles for others; auctioneering services, services relating to sale by tender, sales analysis, computer database maintenance and management; all relating to motor vehicles; consultancy, information and advice services relating to the foregoing.

collection and delivery of motor vehicles; relocation of motor vehicles.

The above services are in classes 35 and 39 respectively of the International Classification of Goods and Services. The application for the trade mark was filed on 2 May 1995 and the trade mark was registered on 10 January 1997. It proceeded to publication on the basis of distinctiveness acquired through use and honest concurrent use.

2) On 3 May 2001 Saga Leisure Limited (afterwards referred to as Saga) applied for this registration to be declared invalid. Saga claims that the registration offends against Section 3(1)(b) of the Trade Marks Act 1994 (the Act) in that the trade mark CARS DIRECT is devoid of any distinctive character. It was also registered in breach of Section 3(1)(c) as the mark consists exclusively of a sign which may serve, in trade, to designate a characteristic of the services covered by the registration, namely that cars are sold directly. They also asked for an award of costs to be made in their favour.

3) The proprietors, Cars Direct Group Limited (afterwards referred to as CDGL) filed a counterstatement denying the grounds of objection and also asked for an award of costs to be made in their favour.

4) Both sides filed evidence.

5) The matter came to be heard on 22 July 2003. Saga was represented by Mr James Mellor of Counsel, instructed by Dechert Solicitors and CDGL was represented by Mr Roger Wyand QC, instructed by Lewis & Taylor, Trade Mark Attorneys.

EVIDENCE OF SAGA

Witness statement of Kathleen O'Rourke

6) This is dated 26 July 2001. Ms O'Rourke is a solicitor and trade mark attorney employed by Dechert, Saga's representatives in this matter. Ms O'Rourke explains that on May 2001 Dechert instructed Compu-Mark, the trade mark search company, to carry out a search of all trade marks containing the words "DIRECT" "DIREKT" and "DIRECKT" in the United Kingdom, on the Community Trade Marks Register and of International trade marks which cover the United Kingdom in all 42 classes. Files 1, 2, 3 and 4 of Bundle 5 show the results of the searches. In the opinion of Ms O'Rourke, the hundreds of trade marks revealed by the searches show that the word "DIRECT" and phonetic variations thereof are in common use in trade marks in the United Kingdom. All of the Community trade marks were filed after the date of the filing of the registration; this is because the Community office only started granting application dates after the date of the filing of the registration. The bulk of the United Kingdom registrations were filed after 2 May 1995 and many of them are not on a par with the registration; they use a house mark followed by DIRECT eg Calor Gas Direct. A small number also use DIRECT in the sense of to aim.

7) On 10, 11, 16 and 18 May 2001 Daniel Bendor of Dechert carried out a search of the Internet using the search engine "google.com". The searches carried out were for:

Direct.co.uk
Direct.ltd.uk
Cars Direct
Parts.direct
Smartcars.direct

8) File 5 of Bundle 5 shows the results of these Internet searches. Tab 6 of File 5 shows printouts of web pages including the following websites:

Cars-direct.eu.com
Direct-car-hire.co.uk
1 stautodirect.co.uk
autodirect.co.uk
autodirectfinance.co.uk
autodirectsave.co.uk
auto-parts-direct.com
buycarsdirect.co.uk
eurocardirect.co.uk
autodirectsave.com
motorsportdirect.co.uk.

These sites all relate to the motor industry. Tab 7 of File 5 shows printouts from websites not relating to the motor industry. Daniel Bendor also carried out a search of the

Companies House CD Rom (June 2000 edition) for all companies containing the words “DIRECT” or “CAR”. File 6 of Bundle 5 shows the results of these searches. On 26 July 2001, Ms O’Rourke also carried out a search of the website “yell.com” for occurrences of the word “direct” and the words “car direct”. File 7 of Bundle 5 shows the results of these searches. On the basis of all these searches, Ms O’Rourke argues that the words “CARS” and “DIRECT” are commonly used in the motor industry to describe the selling of cars.

EVIDENCE OF CDGL

Witness statement of Graham Johnstone

9) This is dated 19 December 2001. Mr Johnstone is the Chairman and Director of Cars Direct Group Limited. Mr Johnstone states that CARS DIRECT has been used extensively and throughout the United Kingdom since March 1989. Since its incorporation CDGL has been involved in the re-marketing of vehicles by selling them through a sealed-bid auction. This means selling by auction of cars that fleets are trying to dispose of. Past and present clients of CDGL include Abbey National, Axa Insurance, Bank of Scotland, BT plc and Royal Mail. CDGL currently re-sell between 400-500 vehicles per month. CDGL’s core activities have rapidly expanded to include the movement, storage and delivery of vehicles; the repair and refurbishment of vehicles; vehicle rental on a nationwide basis; the management of fleet vehicle pools and the design and production of business forms for the motor trade. CDGL is also in the process of expanding further to cover the establishment of a network of vehicle holding sites throughout the United Kingdom and the offering of a complete pool management service to clients. Since April 2001, CDGL has also expanded into the actual sale of vehicles and the acquisition of new vehicles on the behalf of clients. At Bundle 4A, Tab 9, Mr Johnstone exhibits pages from CDGL’s website which allows prospective purchasers to view and bid for vehicles on-line. This website receives around 30,000 to 45,000 page impressions per week.

10) CDGL has negotiated a tie-up with National Grid, whereby National Grid employees are able to bid for that company’s ex-fleet vehicles through CDGL. Mr Johnstone exhibits (at Bundle 4A, Tab2) his Statutory Declaration, used in the prosecution of CDGL’s trade mark application no 2019522 which shows turnover figures in the years 1991-1995 inclusive. These are as follows:

Year	Turnover (£)
1991	5,675,754
1992	5,373,908
1993	5,615,895
1994	7,187,580

The current witness statement shows figures for the years 1996 to date. These are shown below:

Period Ending	Turnover (£)
June 1996	12.1m
June 1997	17.0m
June 1998	21.3m
June 1999	27.4m
June 2000	22.7m
June 2001	19.2m

Mr Johnstone breaks down the turnover figures as follows:

	1996	1997	1998	1999	2000	2001
Re-marketing and associated services	£1.6m	£16.5m	£19.9m	£25.9m	£22.7m	£19.2m
Business stationery	£232k	£242k	£216k	£249k	£253k	not available
Vehicle rental	£270k	£278k	£917k	£926k	£1.5m	£1.5m
Logistical (vehicle movement) & fleet pool management	) ) ) £58k	£76k	) £166k ) )	) £547k ) )	) £804k ) )	) £723k))
Other services	)		£349k	£253k	not available	not available

In relation to advertising, the following sums of money have been spent:

Period Ending	Expenditure (£)
June 1990	18,673
June 1991	5,084
June 1992	1,191
June 1993	1,308
June 1994	1,718
June 1995	7,833
June 1996	12,746
June 1997	23,481
June 1998	19,013
June 1999	40,534
June 2000	4,000 (approx)
June 2001	13,000 (approx)

11) More recently CDGL has started to advertise nationally in both the Daily Mail newspaper and the magazine Auto Trader. Bundle 4A, Tab 13 shows the relevant advertisement. Bundle 4A, Tab 14 shows copies of a selection of press cuttings relating to the CDGL along with examples of various press releases that they have issued. I note

that some of these press articles refer to CDGL's successful action against Barclays Bank. Bundle 4A Tab 15 shows evidence of exhibitions and trade fairs attended by CDGL in the United Kingdom. The Daily Mail advertisement is in the form of a galley proof. No details of when the advertisement appeared are given.

12) In September 2001, CDGL hosted a vehicle sale at the Rockingham Motor Speedway in Corby, an event televised by BBC2 in their Sunday Grandstand programme. I am not sure what relevance the televising of the event has to this case. Mr Johnstone also advises that there was a significant increase in the number of "hits" on CDGL's website in the weeks immediately following that event.

13) In relation to the policing and enforcement of CDGL's rights, Mr Johnstone gives details of various actions that CDGL has taken to protect the trade mark CARS DIRECT, including a Community trade mark application to register CARSDIRECT for vehicles and a variety of vehicle-related services, which was withdrawn in light of CDGL's opposition and representations it made. Bundle 4B, Tab 17 shows the names of all the companies that CDGL have taken action against, including Business Cars Direct, UK Cars Direct, Just Cars Direct and New Cars Direct.

14) In response to Kathleen O'Rourke's witness statement dated 26 July 2001, Mr Johnstone claims that most of the trade marks that include the word DIRECT are of no concern to his company as they do not use this word in close conjunction with the word CAR or CARS. Mr Johnstone does, however, identify around six marks that fulfil this criteria. He comments that out of these, two belong to his company, two belong to Saga and are in fact being opposed by his company, two are likely to be opposed by CDGL if and when they are published for opposition purposes. In relation to any trade marks that have words other than "car" and "direct", e.g. "Vans Direct", Mr Johnstone argues that these kind of marks do not pose a commercial threat to his company and that out of 99 (on Mr Johnstone's count) potential similar marks that were provided to him in the applicant's evidence, only two trade marks were seen by him as enough of a threat to warrant opposition proceedings to be launched, if in fact the trade mark applications proceed to publication.

15) In relation to the websites that Ms O'Rourke claims were found using google.com, Mr Johnstone comments that the searches were not restricted to websites in the United Kingdom. With regard to the particular websites that were found by Ms O'Rourke, Mr Johnstone says that in some cases, he was simply unaware of the websites and will be instructing his solicitors to take appropriate action. There are some websites where action has already been taken and he would expect the use of website names, e.g. smartcarsdirect.com, to cease shortly. Finally, the remaining websites found by the applicant's are either not considered to be a commercial threat by Mr Johnstone or they are foreign websites and are at the current time of no concern.

16) In relation to the results of the Companies House CD Rom searches, Mr Johnstone comments that of all the company names that contain the words "CAR DIRECT" or "CARS DIRECT", the vast majority either belong to his group of companies, have been

dissolved or have had their names changed. There are two exceptions- Car Direct (Ireland) Limited, investigations have shown that this company is not trading at the moment, and Company Cars Direct Limited (CCDL). In relation to CCDL, Mr Johnstone claims to have received an assurance that it will not trade under the name Company Cars Direct.

EVIDENCE IN REPLY OF SAGA

Witness statement of Janet Thomson

17) This is dated 25 April 2002. Ms Thomson is employed by Saga Services Limited as Head of Group and European Development. Ms Thomson explains that the Saga business has diversified from offering holidays only in the United Kingdom to becoming synonymous with a broad range of goods and services all aimed at the over 50s market. Core areas of activity now include the provision of financial and insurance services as well as investments, utility services and the provision of a credit card. The database of customers that Saga holds has over 6.5 million names and a core part of the Saga business strategy is to try and cross-sell as many products and services as possible. The concept of Saga Car Direct originated in 1999 and was launched on 27 October 2000. Sometime in or after August 2000 focus groups comprising twelve Saga customers taken from the Saga database were set up. The SAGA CAR DIRECT name and the SCD logo were shown to the focus groups together with a mock-up of the brochure and a product card. As part of a pilot scheme, around 200,000 Saga customers were either sent a mail shot, leaflet, brochure or letter regarding Saga Car Direct. Ms Thomson states that once a stock of used cars taken in part exchange has built up the cars would be “recycled” to Saga customers.

18) Current sales of the Saga Car Direct project are between 25-40 vehicles per week. Press coverage promoting the service has appeared in over 108 publications including The Observer, Daily Express, The Sun, The Sunday Times, The Sunday Mirror, Which Magazine and The Financial Times. Bundle 6A, Tab 8 shows a table which details the various media where press coverage has appeared, together with circulation figures and shows that over 29 million people have had an opportunity to see and hear the coverage. Bundle 6A, Tab 9 shows examples of the coverage which appeared in the various publications.

19) An undertaking called Tangerine Green was commissioned to make enquiries about the nature of the business of CDGL. Tangerine Green’s report includes a copy of the CDGL financial statement for the year ended 30 June 2000. This shows that in the financial year ending 30 June 2000 the annual turnover was £1,483,818 and for the financial year ending 30 June 1999 £1,317,422. The report also states that new cars are sold under the brand Cars Select and not Cars Direct.

20) As a result of the investigations carried out by Tangerine Green (shown at Bundle 6A Tab 11) and the evidence of Mr Graham Johnstone, Ms Thomson suggests that: CARS DIRECT is a fleet and finance disposal centre and buys used ex-fleet cars from entities

such as Parcel Force and Abbey National. CDGL sells used cars to trade buyers in the main and that sales to private individuals represent a very small part of its business; it sells cars through sealed auctions which are advertised in specialist car magazines and on line. A key difference between the Saga Car Direct service and that of CDGL is the involvement of a local franchised dealer by Saga (organised by Velo Limited), CDGL provides the service directly. Ms Thomson argues that on the basis of the above, the differences between the services offered by Saga and those offered by CDGL are significant. Saga is offering to sell only new cars and only to Saga customers, who are private individuals aged 50 years and over. Saga promotes itself largely through direct mailing and advertising, although the national launch of SAGA CAR DIRECT did incorporate some national advertising and media coverage. CDGL appears to be selling largely, if not exclusively, ex-fleet used cars and does so through sealed auctions. It is selling largely, if not exclusively, to the trade and is buying exclusively from the trade. The remainder of Ms Thomson's witness statement consists of submissions in relation to the issue of confusion and I will therefore say no more about it.

Witness statement of Angela Boakes

21) This is dated 23 April 2002. Ms Boakes is employed by Saga as a business development manager with responsibility for the Saga Car Direct project and details a telephone conversation that she had with Graham Johnstone of CDGL on Monday 19 February 2001. From memory and notes made about the conversation (shown at Bundle 6B, Tab 13), Ms Boakes believes that Mr Johnstone told her that he was aware of Saga's trade mark application for the SAGA CAR DIRECT mark and went on to say that his business was focussed on leasing and finance and that it was involved in new and used cars and provided a variety of services. In return Ms Boakes told Mr Johnstone that the SAGA CAR DIRECT business was dealing exclusively in new cars. The conversation ended with Mr Johnstone saying that he would talk to his colleagues about the trade mark issue.

Witness statement of Graham Comber

22) This is dated 23 April 2002. Mr Comber explains that he is a Customer Service Adviser at SAGA CAR DIRECT and that he spoke to Graham Johnstone on 9 February 2001. Mr Comber recollects Mr Johnstone saying that he had seen the Saga trade mark application for SAGA CAR DIRECT and that he was concerned that it infringed a trade mark of his company. He also said that his company had been trading for 11 years. Mr Comber passed Mr Johnstone's details on to Ms Angela Boakes.

Witness statement of Martin Sprake

23) This is dated 24 April 2002. Mr Sprake is the Used Vehicle Re-Marketing Manager at Velo Limited. He explains that Velo worked with CDGL in early 1999. He states that Saga is a very well known brand selling very different services to those of CDGL. CDGL re-markets used vehicles, which they promote and offer to the trade; Saga is a retail organisation offering new vehicles to private individuals. Saga's customers are only

those people who fulfil Saga's age criteria and the "direct" aspect of the scheme is reflected in the way it operates. All Saga's vehicles come from recognised, fully franchised dealerships, but a customer wishing to buy a car through Saga Car Direct would not be able to do so by approaching one of those dealerships. The customer has to go directly to Saga's call centre.

Witness statement of Stuart Goldberg

24) This is dated 26 April 2002. Mr Goldberg is a Trainee Solicitor with Dechert. Mr Goldberg explains that he has watched and made notes on a copy of a video made by two representatives of Tangerine Green on the premises of CDGL. The copy of the video is attached at Bundle 6B, Tab 14. Tab 15 of the same bundle shows a report Mr Goldberg prepared about the video, which includes an outline transcription of the conversations and actions.

25) Mr Goldberg refers to Graham Johnstone's witness statement of 19 December 2001, particularly, pages 26, 27 and 30, where he claims that CDGL have taken some sort of action against a number of companies in relation to use of the name CARS DIRECT. Mr Goldberg contacted these companies to verify this and this was shown to be true in most cases. Mr Goldberg spoke to Neil Howe of Car Imports Direct Limited, who advised him that following the objection by CDGL to the company's name, it was changed to Japanese Cars Direct. Two companies, German Cars Direct (GCD) and Trade Cars Direct (TCD), were an exception. GCD had not been contacted at all by CDGL and TCD were not able to be contacted.

Witness statement of Robert Mercer

26) This is dated 25 April 2002. Mr Mercer is a Consultant to the motor industry and explains that the name SAGA CAR DIRECT was chosen because Saga wanted to focus on the fact that cars were the nature of the venture, rather than telephone sales; it focuses the mind on the precise nature of the business, which is providing cars directly to Saga customers. Mr Mercer further claims that he had never heard of CARS DIRECT at the time the name was chosen for Saga's venture. Once told of the existence of CDGL Mr Mercer spent some time searching for it on the Internet and did not find it very visible.

Witness statement of Michael McRae

27) This is dated 25 April 2002. Mr McRae is the Operations Director of Velo Limited. He gives details of the nature of Velo's business. Mr McRae, despite having worked in the motor industry for more than 35 years, says that he had never heard of CARS DIRECT until it was brought to his attention that CDGL was objecting to the SAGA CAR DIRECT name.

Witness statement of Dennis Webb

28) This is dated 26 April 2002. Mr Webb is the Managing Director of Clarke's Motor Services Limited, a franchised dealership, selling both new and used cars. He has 28

years of experience working in franchised dealerships of this nature. Mr Webb states that he has in the past received advertising and faxes from CDGL seeking to supply his company with cars. He thought that CDGL supplies new cars to the trade. He states that for about 5 years there have been many companies like CDGL, all of whom use words like “cars” and “direct” either in their name or in the description of what they offer. Mr Webb also asserts that there does not seem to be one main player in that sector of the industry and they all seem to have very similar trading titles.

Witness statement of John Whiteman

29) This is dated 26 April 2002. Mr Whiteman is the Project Director of the International Car Distribution Programme (ICDP), a not-for-profit collaborative research project covering the major markets of Europe which focuses on ways of improving the efficiency and effectiveness of all aspects of the car retailing and supply industry. The project is supported by more than 40 companies involved in the car industry, encompassing manufacturers of cars and parts, retailers, and providers of ancillary services such as lubricants, logistics and insurance.

30) Mr Whiteman states that before being contacted by Dechert he was unfamiliar with CDGL and that based on the statements of Graham Johnstone, dated 7 and 19 December 2001, he understands that it is an intermediary; handling used cars to be disposed of by companies and purchased primarily by used car retailers. It also handles less than 10,000 cars per year and operates from two sites in the East Midlands. Mr Whiteman’s assessment of CDGL is that it is a small player in the very large market for ex-company cars. On the basis of information supplied by Mr Johnstone, CDGL is a small operator of auctions selling 26,000 cars since 1993 and with recent sales of 400-500 per month, which is an annual rate of 5,000-6,000. Allowing for an estimate of cars that are presented in each auction but not sold, the total number of vehicles handled may be in the region of 10,000 per annum. These sales may be compared with the number of cars of between three and five years of age which are being disposed of by businesses, probably about one million, implying a market share of 0.6% of the market. The number of vehicles which CDGL handles may be compared with the 900,000 handled by the market leader BCA, or the more than two million handled in total by all auction houses; implying a share of 0.5% of the market. The ancillary services offered by CDGL are similar to those provided by other intermediaries and for most of the ancillary services there is generally a large scale competitor to CDGL, eg on vehicle logistics where the major operator, Walon UK, transports more than one million cars per year.

Witness statement of Kathleen O’Rourke

31) This is dated 26 April 2002 and is by the same Kathleen O’Rourke as has previously submitted a witness statement in these proceedings. She explains that Dechert instructed Trade Mark Investigators, Tangerine Green, in this case in April 2001. A copy of their report is attached at Bundle 6B, Tab 16. Further enquiries were carried out as a result of the initial report and further reports are shown at Bundle 6B, Tabs 17, 18 and 19.

Witness statement of Nicole Ziman

32) This is dated 26 April 2002. Ms Ziman is an Assistant Solicitor with Dechert, the representatives of Saga in this case. Ms Ziman refers to a witness statement of Graham Johnstone dated 19 December 2001 (shown at Bundle 2, tab 4), in particular page 29, where he refers to Cars Direct of Oldham in Lancashire, against whom CDGL is currently taking action. On 15 April 2002 Ms Ziman telephoned Cars Direct of Oldham and spoke to the manager, Paul Knox. Mr Knox advised that he had received a settlement agreement from CDGL dated 22 November 2001 but that he had not responded. He has not heard anything from them since. Mr Knox advised that until it had approached him he had not come across CDGL; except when customers of CDGL, who had obtained his telephone number in error, rang through to him with complaints about the cars which they had bought from CDGL. Mr Knox also explained that there are numerous organisations known as Cars Direct throughout the country, many of whom operate in the used car section of the motor industry. Owing to this, the auction house, Manheim Motor Auctions insists that each Cars Direct which registers with it must include the suffix of the locality in which it operates so that they can be sure which Cars Direct they are dealing with. On obtaining this information Ms Ziman telephoned Manheim Motor Auctions who confirmed that nationally, Manheim Motor Auctions has eight companies called Cars Direct registered with them. This information was confirmed by Mr Raza of the Northampton Branch.

DECISION

Parallel proceedings

33) This is one of three cases between the sides. Saga are attacking a registration and an application of CDGL on absolute grounds. CDGL are attacking two applications, in a consolidated action, of Saga on relative grounds. The absolute objections revolve around the same issues; although there are differences in the specifications and the relevant dates. In coming to a decision in the cases I consider that it is appropriate to consider all the evidence that had been filed – not to create artificial barriers in relation to what was filed for one set of proceedings but not another. These are cases which, in my view, should have been consolidated. It would have saved duplication of evidence and the thankless task of checking what had been filed in one case against what was filed in another. The effect and relevance of the evidence will of course depend on the relevant dates and the specifications. Counsel were content with my considering all the evidence in relation to each of the cases when I put this to them at the hearing.

Relevant dates

34) The relevant dates for the oppositions are, for all but one matter, the dates of the filing of the applications. In relation to the objection under section 5(4)(a) of the Act, the passing-off ground, it could be a different date. “Kerly’s Law of Trade Marks and Trade Names Thirteenth Edition” states at 8-106:

“It is suggested that the issue must be determined as at the date of the application for the mark in issue. The question is whether or not use of the mark applied for is liable to be prevented as at that date. If, however, the mark the subject of the application is already in use then this may require consideration of the position at an earlier time too. The relevant date for proving reputation and goodwill in claiming for passing off is the date of the commencement of the activities complained of.”

This position is in accordance with the findings in *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] RPC 429. Ms Thomson states in her evidence that the concept of SAGA CAR DIRECT originated in 1999 and was launched on 27 October 2000. Sometime in or after August 2000 focus groups comprising twelve Saga customers taken from the Saga database were set up. The SAGA CAR DIRECT name and the SCD logo were shown to the focus groups together with a mock-up of the brochure and a product card. It is not clear when SAGA CAR DIRECT was first used in relation to the business. However, it only came before the public, and then only twelve of them, in or after August 2000. On the basis of the evidence before me I consider that I must take the date of the filing of the applications as the date against which to consider the passing-off claim ie 30 August 2000. I cannot see that deciding upon this date will disadvantage CDGL. There is nothing in the evidence to suggest that its position would be any better at an earlier date. On the contrary, CDGL will have a greater amount of time to establish the requisite goodwill.

35) There are two relevant dates for the invalidity proceedings. There is the date of the filing of the application for registration. Was the trade mark registrable at that date, either prima facie or on the basis of acquired distinctiveness? If the trade mark was not registrable at the date of filing had it acquired distinctive character through the use made of it since its filing? Section 47(1) of the Act states that where the trade mark was registered in breach of sections 3(1)(b), (c) or (d) of the Act, it shall not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered. The Act does not specify when the acquired distinctiveness had to be acquired, just that it has acquired a distinctive character since it has been registered. In *Premier Luggage and Bags Ltd v. Premier Co (UK) Ltd & Another* [2002] ETMR 69 Chadwick LJ stated:

“The relevant question, therefore, is whether the trade mark had acquired a distinctive character through use in connection with products supplied by Premier Luggage either by the date of application, or (if not) by the date of the trial. The judge did not differentiate between those dates-because, as he said at paragraph 21 of his judgment:

“Although the proviso [to section 3(1) of the Act] refers to the mark acquiring distinctiveness prior to the date of the application for registration, section 47 of the 1994 Act provides that, if it is sought to obtain a declaration of invalidity where a mark has already been registered, it is sufficient if a distinctive character has been acquired since registration.””

Mr Mellor argued that the date for acquired distinctiveness should be the date of the application for invalidity. He submitted that otherwise the applicant for invalidity would have a moving target to hit. He referred to the provisions for revocation for non-use. I do not consider that these provisions cast light on this issue. Such provisions are designed for a specific purpose and the time limits are specifically spelt out in the legislation. It is also not feasible to have a non-fixed date for such revocation as the whole issue depends on non-use in relation to a set date. As well as the comments of Chadwick LJ, I also look to *Scandecor Development AB v Scandecor Marketing AB* [2002] FSR 7:

“The claim in these proceedings is that, in consequence of the use made of the marks by Scandecor Marketing and Scandecor Ltd with the consent of Scandecor International, the marks are "liable to mislead the public". That is essentially a question of fact. That question of fact must be answered having regard to matters as they now are, not as they were at some time in the past. In deciding this issue of fact the court must have due regard, as I have been at pains to emphasise, to the message which a trade mark conveys. But since the question is whether the marks are currently liable to mislead, the message which is relevant is the message which use of the marks conveys today, not the message it would have conveyed to the public in the past.”

This was to do with revocation through deceptiveness but it is also to do with how the trade mark has been used. If Mr Mellor’s argument could stand up it would run contrary to the findings of the House of Lords, as there would also be a moving target. In my view whether the trade mark has acquired distinctiveness is a question of fact; it is the message that the trade mark conveys that is important. This provision, a voluntary one under the Directive, appears to me to reflect that it would be inappropriate to invalidate a trade mark that had become distinctive as a fact. It could have severe commercial consequences for an undertaking that is using the trade mark. If the trade mark is acting as a trade mark it should be left alone. This might be detrimental to the case of an applicant but to take Mr Mellor’s position would be to ignore the reality of acquired distinctiveness. In certain cases it could also be to the detriment of the position of the registered proprietor. Owing to changes in the market it could be at some stage the trade mark had acquired distinctiveness but at the date of the hearing this is no longer the case. In *Premier Luggage and Bags Ltd v. Premier Co (UK) Ltd & Another*, equally the date of trial being used as the relevant date could have had an unfortunate effect on the other party. The moving target argument also presumes that the applicant knows the exact position of the registered proprietor at the date of the application for invalidation. In most circumstances the applicant will only know this when all the evidence is in and so it is quite possible that the target has moved. The target could also have moved owing to new case law. The application for invalidity has to be judged on the case law at the date of the hearing, with the amount of case law being generated in relation to distinctiveness at the moment this could be a running target.

36) In this case there is not a date of trial but a date of hearing which I think amounts to the same thing. Invalidity actions can be before the Office or the court. It cannot be right

that the Office should adopt a different position to the court. Consequently, if the trade mark, subject of the invalidity action, was not distinctive either through use or prima facie at the date of application, the relevant date for establishing acquired distinctiveness is the date of the hearing, 22 July 2003.

Preliminary Issues

37) At a case management conference it was decided that Mr Knox, Mr Raza, Mr Webb and Mr Johnstone should attend for cross-examination. In the case of Mr Knox and Mr Raza this was not evidence that they had put into the proceedings but comments that they were reported to have made according to the evidence of others. Mr Knox, Mr Raza, Mr Webb did not appear for cross-examination. I, therefore, decided that the references to what Mr Knox and Mr Raza were stated to have said would be ignored as would the evidence of Mr Webb. Having considered the evidence involving the three I do not consider that this will have any effect upon the proceedings.

38) At the same case management conference disclosure of certain records of CDGL was ordered. On the afternoon of 21 July 2003 I received via e-mail, from the lawyers for Saga, an 89 page Excel® document. This document gave a breakdown of various customers of CDGL with an indication of their geographical location. The document was not exhibited as part of a witness statement. Mr Mellor stated at the hearing that he would arrange for the person responsible for the document to attest to it and sign a confidentiality agreement. I allowed the document into the proceedings under rules 13(11) and 33(8) of the Trade Marks Rules 2000 on the basis that the document's sole rôle in the proceedings was in relation to the cross-examination of Mr Johnstone and that it would be subject to a confidentiality order under rule 51. This confidentiality order was signed by me on 23 July 2003 and reads as follows:

“The documents in this folder are subject to confidentiality. They are not open for public inspection.

They are open for inspection by the legal representatives of Saga Leisure Limited but not to the staff of Saga Leisure Limited and the information therein is not to be divulged to the staff of Saga Leisure Limited.

They are open to inspection by Cars Direct Group Ltd and their legal representatives.”

39) At the hearing Mr Mellor only ran the absolute grounds objections under sections 3(b) and (c). In the invalidity action these were the only grounds of attack. In the opposition section 1(1) and 3(d) were included in the grounds. Section 3(1)(b) and (c) are the only absolute grounds that I will be considering. (The ground of opposition under section 1(1) is hopeless. Taking into account *Alcon Inc v OHIM* Case T-237/01 and *Merz & Krell* [2002] ETMR 21 and the evidence furnished I cannot see that there was any realistic hope of success under section 3(1)(d) of the Act.)

Use of CARS DIRECT

40) The evidence put in by CDGL to obtain its initial registration and put forward in this case gives a distorted picture of the actual use in relation to the sign CARS DIRECT. This distortion was brought to light by the evidence of Tangerine Green, whose evidence gave an excellent, objective and illuminating picture of the business with which CDGL could not find fault, and in the cross examination of Mr Johnstone. The turnover figures that Mr Johnstone gave in evidence are not the turnover figures given in the financial reports of the company. Mr Johnstone gave figures which included the value of cars sold. However, these cars were never in the ownership of CDGL, they were just acting as a selling agent/auctioneer. In the financial reports, supplied by Saga, the way of determining the turnover figures is given:

“The turnover and profit before taxation are attributable to the earning of commission on the remarketing of motor vehicles.”

According to the financial reports the turnover figures for the financial years ending 30 June were as follows:

1999 - £1,317,422

2000 - £1,483,818

2001 - £1,726,238

2002 - £2,094,066.

These figures include turnover in relation to businesses using another sign eg the turnover for 2001 includes £772,074 attributable to Abington Vehicle Rental Limited. The vehicle rental business still goes under this name. Mr Johnstone gives a breakdown of the turnover figures that he furnished:

	1996	1997	1998	1999	2000	2001
Re-marketing and associated services	£1.6m	£16.5m	£19.9m	£25.9m	£22.7m	£19.2m
Business stationery	£232k	£242k	£216k	£249k	£253k	not available
Vehicle rental	£270k	£278k	£917k	£926k	£1.5m	£1.5m
Logistical (vehicle movement) & fleet pool management	)	)	) £166k	) £547k	) £804k	) £723k
Other services))))))
	) £58k	£76k))))
	)	)	£349k	£253k	not available	not available

(Mr Johnstone advised that the figure for 1996 should have been £16 million.) However, business stationery was under the name of GB Supplies, Vehicle Rental under Abington Vehicle Rental Limited and until September 2001 the services in the bottom quarter of the table were supplied under the name of Artisan Vehicle Movements. So as far as the two opposition cases are concerned the only use of the sign CARS DIRECT is in relation to what are described as re-marketing and associated services. In reality, to all intents

and purposes, disposing of fleet cars by auction. In his cross examination Mr Johnstone stated that there were some new car sales in 1989. In the evidence Mr Johnstone states that the new car business began in April 2001 and by December 2001 there had been a turnover of £300,000. However, I cannot know what Mr Johnstone means by turnover. The new car business uses the name CARS SELECT. The Tangerine Green report states that customers would believe that CARS DIRECT were responsible for the CARS SELECT business owing to the signage and staff. However, April 2001 is well past the relevant date for passing-off purposes. For the issue of acquired distinctiveness, if needed, the use of the sign CARS SELECT and the lack of clarity of the turnover figures means that this use would not assist CDGL. In effect what CDGL have shown is that they have a business which for some time has used the sign CARS DIRECT in respect of the selling, usually by auction, of fleet cars. At least ninety per cent of this business is to the trade. Mr Johnstone also refers to tie ups with Abbey National and National Grid in which CDGL was used as the means for staff to bid for ex-fleet cars of the company. Mr Johnstone states that the former has 19,000 employees and the latter 8,000. Under cross-examination Mr Johnstone accepted that the National Grid tie up started in August 2001. If ten per cent of the sales of cars now goes to private buyers this would represent about four hundred cars a year. Mr Johnstone accepted the figures that the Tangerine Green team had seen at his premises represented sales for the years 2000 and part of 2001. On the basis of these figures an average of 367 cars per month were sold in 2000 and 299 in 2001. Mr Johnstone was asked about the scale of his business and he considered that taking the figures of Professor Rhys his was a sizable business as it sells considerably more than 400 cars a week. If Mr Johnstone has reported the comments of Mr Rhys accurately I cannot see that this helps him greatly. His is not an ordinary used car business. Most used car businesses own the cars, he is running an auction business. Consequently, I do not see that the comparison has any great relevance. Mr Whiteman is an expert witness and he does put the trade of CDGL in a perspective both in relation to the market as a whole and the big players in that market.

41) There has been advertising in the trade press, and in July 2002 in the local press. Mr Johnstone refers to an advertisement in The Daily Mail. A galley proof is supplied. However, he does not furnish the actual advertisement. I do not know when it appeared, where it appeared, how it appeared. One advertisement somewhere in a national newspaper at some time does not signify a great deal. There is a reference to two references in Top Gear magazine in 1997, without a photograph. I was not able to locate the article(s) or pieces in the exhibits. I have no idea what the reference was and its context. The turnover figures for publicity and advertising are, in my experience of these matters, of a very low amount.

42) Mr Johnstone was questioned about the geographical spread of his customers. From the documentation adduced the day before the hearing, it appears that the bulk of customers are clustered in Northamptonshire and its environs. It does include customers in other areas of the country. When the cars are sold to dealers the end customer will not know of CDGL's involvement. It will end with the dealer. The business has one hot spot, in Northamptonshire, and knowledge of it will irradiate outwards to those who pass the signage, to those who read the trade press and to those who might hit upon the

website. It is not a service that has various centres throughout the country. Certain dealers, some of the staff of Abbey National and National Grid, visitors to the website, people driving past the premises or the signs, various people in fleets, certain individuals who have purchased cars via CDGL and some of the friends and family of the aforesaid might know of the business. However, this strikes me as a very small cross-section of the population. It is necessary to keep in mind the extent of the specifications and that there is nothing in them that limits any aspect of them to the trade.

43) In his second witness statement Mr McRae states:

“Mr Johnstone may find it surprising that I had not heard of Cars Direct until the current dispute despite having worked in a senior role at Budget for 19 years. Again, this serves to demonstrate that even though Budget has been a client of Cars Direct (as Mr Johnstone claims), I had never heard of them during my years working at Budget. A reasonable conclusion to draw from that would be not that I am being untruthful but rather that Cars Direct’s profile is not as high as Mr Johnstone thinks.”

From the evidence before me I have come to the same conclusion about the profile that Mr Johnstone believes his company has.

44) The evidence tells me that CDGL enjoys a goodwill for the selling, usually by auction, of ex-fleet cars on behalf of the owners and that it uses the sign CARS DIRECT in relation to this business. I do not consider that the evidence shows that the use of CARS DIRECT is such that, if it was necessary, that it would have acquired distinctiveness in relation to any of the goods or services of the registration and application at the respective relevant dates.

45) In reaching the above conclusion about acquired distinctiveness I have born in mind the judgment of the European Court of Justice in *Windsurfing Chiemsee v Huber and Attenberger* [1999] ETMR 585:

“In determining whether a mark has acquired distinctive character following the use made of it, the competent authority must make an overall assessment of the evidence that the mark has come to identify the product concerned as originating from a particular undertaking, and thus to distinguish that product from goods of other undertakings.....

51. In assessing the distinctive character of a mark in respect of which registration has been applied for, the following may also be taken into account: the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant class of persons who, because of the mark, identify goods as originating from a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations.

52. If, on the basis of those factors, the competent authority finds that the relevant class of persons, or at least a significant proportion thereof, identify goods as originating from a particular undertaking because of the trade mark, it must hold that the requirement for registering the mark laid down in Article 3(3) of the Directive is satisfied. However, the circumstances in which that requirement may be regarded as satisfied cannot be shown to exist solely by reference to general, abstract data such as predetermined percentages.”

I certainly cannot see that CDGL’s use places itself within the parameters set out by the European Court of Justice.

46) Section 47(1) of the Act states:

“The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in breach of section 3 or any of the provisions referred to in that section (absolute grounds for refusal of registration).

Where the trade mark was registered in breach of subsection (1)(b), (c) or (d) of that section, it shall not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered.”

Section 3 of the Act reads as follows:

“3.-(1) The following shall not be registered -

- (a) signs which do not satisfy the requirements of section 1(1),
- (b) trade marks which are devoid of any distinctive character,
- (c) trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services, or other characteristics of goods or services,
- (d) trade marks which consist exclusively of signs or indications which have become customary in the current language or in the *bona fide* and established practices of the trade:

Provided that, a trade mark shall not be refused registration by virtue of paragraph (b), (c) or (d) above if, before the date of application for registration, it has in fact acquired a distinctive character as a result of the use made of it.”

47) In this case I am concerned with sections 3(1)(b) and (c) of the Act. Following my deliberations above the proviso will not come into play. The question before me is

whether at the date of application, 2 May 1995, CARS DIRECT was objectionable under section 3(1)(b) and/or (c) of the Act for the following services:

factoring of motor vehicles; sales and disposal of motor vehicles for others; auctioneering services, services relating to sale by tender, sales analysis, computer database maintenance and management; all relating to motor vehicles; consultancy, information and advice services relating to the foregoing.

collection and delivery of motor vehicles; relocation of motor vehicles.

48) In *Premier Luggage and Bags Ltd v. Premier Co (UK) Ltd & Another* Chadwick LJ commented upon the burden of proof:

“There is, I think, a danger in that approach, because it fails to recognise where the burden of proof lies in the two cases. The position was explained by Jacob J. in the *British Sugar* case, at page 302 (lines 7-12). After pointing out that s.72 of the Act provided that registration of a person as proprietor was prima facie evidence of the validity of the original registration, Jacob J. went on to say this: "This clearly casts the onus on he who wishes to attack the validity of the *original* registration. But once the attacker can show the registration was wrongly made (particularly for non-compliance with s.3(1)(b)-(d)) and the proprietor wishes to rely on the proviso to s.47(1) it is for the proprietor to show that his mark is distinctive.””

(Of course in this case the proviso issue is not going to come into play.) The burden is upon Saga to show that CARS DIRECT was objectionable under sections 3(1)(b) and/or (c).

49) Mr Mellor in his cross examination on several occasions brought Mr Johnstone’s attention to various references in material to the services of CDGL which supplies cars “direct” from fleets. (I do not consider that anything turns upon the grammatically incorrect use of the adjectival rather than adverbial form. The use of the adjectival instead of the adverbial form is increasingly prevalent. Indeed, in the evidence the adjectival form has been used where the adverbial form was appropriate. In the summary of the evidence I have used the grammatically correct form.)

50) The distinctive character of a trade mark can be appraised only, first, by reference to the goods or services in respect of which registration is sought and, secondly, by reference to the way it is perceived by the relevant public (European Court of First Instance Case T-79/00 *Rewe Zentral v OHIM (LITE)*). Mr Mellor referred to and relied upon the analysis of the issues of distinctiveness by Mr Hobbs QC, sitting as the appointed person, in "*Cycling Is ...*" *Trade Mark Applications* [1999] ETMR 585.

51) I have had some difficulty in relation to this matter as I have to consider the position in 1995 and what the perception the average consumer concerned with the services would be. So called direct services have proliferated with the growth of access to the Internet and in call centres. At the time the application was examined it was considered by the

examiner to be objectionable on absolute grounds and proceeded on the basis of evidence; evidence that has been reproduced in these proceedings. This at least gives me some perspective as to the perception of “direct” trade marks at the relevant date. I have come to the conclusion that in 1995 the “message” of the trade mark would be that the proprietor supplies services directly, cutting out middlemen. Whether this was the case is not relevant. I have to consider the specification and in relation to those services this would have been the message that it would have conveyed in my view. Consequently, I consider that the trade mark characterises the services and is objectionable under section 3(1)(c). By characterising the services the trade mark would not perform its function of an indicator of origin without nurture and so is devoid of distinctive character and so objectionable under section 3(1)(b). In *Rewe Zentral* the Court of First Instance put the issue of distinctiveness in a nutshell:

“The signs referred to in Article 7(1)(b) of Regulation No 40/94 are signs which are regarded as incapable of performing the essential function of a trade mark, namely that of identifying the origin of the goods or services, thus enabling the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent acquisition.”

Mr Wyand put forward the argument that CARS DIRECT had to be acting as a trade mark as it was the only sign being used by CDGL. Mr Mellor commented that the words CARS DIRECT was used in a stylised form. There has been a stylisation in use but so slight that I do not consider that it makes any difference to the issues. The argument of Mr Wyand would appear to be that if someone uses a descriptive or non-distinctive trade mark and no other trade mark it will be de facto be distinctive as the customer has nothing else to latch on to. I disagree. He or she has the location of the premises to latch onto, he or she has members of staff to latch onto, he or she might have a website address to latch onto or a telephone number or a fax number. In the lay-bys of the country there are hundreds of caravans which boast the name burger bar or snack bar or no name at all but customers manage to return to them owing to their location. The use of no sign or a completely descriptive sign does not stop them performing their businesses.

52) Some time in both the evidence and at the hearing was spent on the number of other undertakings that have used the words CAR(S) DIRECT in some form and been the subject of actions by CDGL. Mr Waiting, a sole trader, has been trading as “Company Cars Direct” since 1987. Mr Johnstone states that it was accepted at that time that Mr Waiting has an earlier right in the North East of England. Manheim has eight CARS DIRECT on its books, even if the nature of the concerns is not known. There is no indication that any of the undertakings that decided to use the sign CAR(S) DIRECT did so in any knowledge of CDGL. It would appear to have been simply chosen to indicate the nature of the service. There is no indication that this was other than the reason that Saga chose the trade mark SAGA CAR DIRECT; a famous house mark followed by the name of the service. Mr Johnstone comments in his evidence on the name Proton Cars Direct and his objection to it. If an undertaking is selling Proton cars directly should they be prohibited from using the words CARS DIRECT? The recent judgments of the European Court of Justice in *Linde AG, Winward Industries Inc and Rado Uhren AG* in

Joined Cases C-53/01 to C-55/01 and *Libertel Groep BV v Benelux-Merkenbureau* Case C-104/01 have restated that in considering the registration of trade marks the competent national authorities need to take into account the public interest and the need to leave free for use by others. In *Viennetta* – [2002] EWHC 2709(Ch) Jacob J stated “what degree of difference is enough to avoid infringement is an important question at the registration stage”. All these cases deal with colour or shape trade marks. However, the issues of the need to leave free and the infringement effects apply, in my view, equally to word marks. *Linde AG, Winward Industries Inc and Rado Uhren AG and Libertel Groep BV v Benelux-Merkenbureau* might not use the terms that were common under the old law but in effect it does seem that the European Court of Justice positioned itself quite closely to the position under the 1938 Trade Marks Act, that the honest trader should not need to seek a defence. He should certainly not have to consult trade mark registers in using a descriptive term. This need to leave free reinforces, in my view, the strength of the objections under section 3(1)(b) and (c).

Conclusion

53) Under section 47(1) of the Act I find that registration no 2019522 is invalid on the ground that it was registered in breach of sections 3(1)(b) and (c) of the Act. Accordingly I direct that registration no 2019522 be declared invalid and removed from the register and, in accordance with section 47(6) of the Act, be deemed never to have been made.

COSTS

54) Mr Wyand submitted that CDGL should receive compensation for going through evidence that was not relied upon at the hearing; bundle 5. He also commented upon the duplication of evidence. Mr Mellor considered that Saga should receive costs on the higher scale owing to CDGL asserting “fanciful rights”.

55) There was bound to be duplication in the evidence. As I have stated above the various cases were ripe for consolidation. Neither side requested consolidation of the proceedings so I do not see how either side can complain about duplication. Bundle 5 did not serve any purpose in the end. However, there was an awful lot of submission and extraneous matter in the evidence of CDGL. I also bear in mind that if it was not for the work of Tangerine Green, the disclosure of documents and the cross-examination of Mr Johnstone that there would have been a very distorted picture of the business of CDGL. Taking these factors into account I do not intend to move away from the normal scale. However, as this was one case amongst three, relying on effectively the same evidence and being the subject of one joint hearing I have born this in mind when apportioning costs. The costs also take into account the case management conference.

56) Saga Leisure Limited having been successful it is entitled to a contribution to his costs. I order Cars Direct Group Ltd to pay Saga Leisure Limited the sum of £1900. This sum is to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 31st day of July 2003

**David Landau
For the Registrar
the Comptroller-General**