

O/075/12

TRADE MARKS ACT 1994

IN THE MATTER OF:

(1) APPLICATION NO. 2460646 BY OSOTSPA CO. LTD TO REGISTER THE TRADE MARK “M MAX” AND DEVICE IN CLASS 32

AND OPPOSITION NO. 95807 BY PEPSICO, INC.

AND

(2) APPLICATION NO. 2491581 BY PEPSICO, INC. TO REGISTER THE TRADE MARK “MAX” (WORD ONLY) IN CLASS 32

AND OPPOSITION NO. 98358 THERETO BY OSOTSPA CO. LTD

APPEAL TO AN APPOINTED PERSON BY PEPSICO, INC. FROM THE DECISIONS OF MR ALLAN JAMES DATED 19 MAY 2010 AND 20 JULY 2010

DECISION

1. In a provisional decision of 19 May 2010 (BL O-156-10), confirmed by a further decision of 20 July 2010 (BL O-252-10), the Registrar’s Hearing Officer, Mr Allan James, ruled on the outcome of five connected and consolidated sets of Registry proceedings between PepsiCo, Inc. (“**PepsiCo**”) and Osotspa Co. Ltd (“**Osotspa**”). PepsiCo has appealed under section 76 of the Trade Marks Act 1994 (“**the Act**”) against the outcome in relation to:

(1) the Hearing Officer’s rejection of the majority of PepsiCo’s opposition to Osotspa’s application no. 2460646 to register the mark shown below in Class 32



; and

(2) the Hearing Officer's partial refusal of PepsiCo's application no. 2491581 to register the word mark MAX in Class 32 insofar as it covers "energy drinks".

2. I shall refer to the applications in issue as "the '646 application" and "the '581 application" respectively.

Brief history of the '646 application

3. Osotspa had applied to register the '646 application on 6 July 2007 in relation to the following goods in Class 32:

"Soft drinks, fruit drinks, sport drinks and isotonic drinks, energy drinks and fruit juices, but not including any cola drinks or cola flavoured drinks; syrups, powders and other preparations for use in making soft drinks, fruit drinks, sport drinks and isotonic drinks, energy drinks and fruit juices, but not including any syrups, powders and other preparations for use in making cola drinks or cola flavoured drinks."

4. Adopting the Hearing Officer's summary of PepsiCo's grounds of opposition to the '646 application, these were that:

(1) There is a likelihood of confusion with Pepsi's earlier UK registration 2020960, which is the trade mark MAX and is registered for "cola flavoured drinks" with effect from 18 May 1995. Registration would therefore be contrary to s.5(2)(b) of the Act.

(2) There is also a likelihood of confusion with Pepsi's earlier Community trade mark ("CTM") 5230826, which is a label mark including the words PEPSI and MAX and is registered for non-alcoholic drinks in class 32. Registration would therefore be contrary to s.5(2)(b).

(3) The earlier UK mark – MAX – has a reputation in the UK and registration of the later mark would take unfair advantage of, or be detrimental to, the distinctive character or reputation of the earlier mark "because of the close similarity between cola flavoured drinks and the goods listed in the specification for the application". Registration would therefore be contrary to s.5(3).

(4) The sign MAX has been used by Pepsi since at least 1995 in relation to non-alcoholic beverages and use of the mark applied for would constitute passing off. Registration would therefore be contrary to s.5(4)(a).

5. Having examined the evidence and arguments, the Hearing Officer concluded that:

- (1) the s.5(2)(b) ground based on PepsiCo's earlier UK registration no. 2020960 succeeded in relation to "soft drinks" and "fruit drinks", but not in relation to the remainder of the specification;¹
 - (2) the s.5(3) ground based on the same earlier registration succeeded "to no greater extent than the s.5(2)(b) ground";²
 - (3) the s.5(2)(b) ground based on PepsiCo's earlier CTM no. 5230826 failed;³
 - (4) the s.5(4)(a) ground based on PepsiCo's prior passing off rights in respect of the mark MAX could not succeed to any greater extent than the s.5(2)(b) ground under (1) above.⁴
6. All of these conclusions were challenged in PepsiCo's Notice of Appeal.
 7. During the course of the appeal hearing, reference was made to a decision of the Opposition Division of the Office for Harmonisation in the Internal Market ("OHIM") in an opposition by PepsiCo against a colour version of the mark in this case, based on an earlier Irish registration for the word MAX (*PepsiCo, Inc. v Osotspa Co. Ltd*, 14 June 2010). The opposed mark was in colour, its specification of goods differed from that in the present case (albeit having some overlap), and PepsiCo's earlier mark covered a much broader range of goods than the UK word mark relied on in this case. I introduce it here because I refer to it later on.

Brief history of the '581 application

8. PepsiCo had applied to register the '581 application on 2 July 2008 in relation to the following goods in Class 32:

"Mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages."
9. Osotspa opposed this application on absolute grounds, based on the argument that MAX is a common laudatory term "*used by traders in many markets to describe their goods, and in particular enhanced or superior versions of their goods*" and therefore:
 - (1) it is not capable of distinguishing goods of one undertaking from those of other undertakings, contrary to s.3(1)(a) of the Act;
 - (2) it is devoid of any distinctive character, contrary to s.3(1)(b); and/or

¹ Provisional decision, paragraphs 114-115.

² Provisional decision, paragraph 118.

³ Provisional decision, paragraph 121.

⁴ Provisional decision, paragraph 123.

(3) it consists exclusively of a sign which may serve in trade to designate the kind, quality, quantity or value of the goods, contrary to s.3(1)(c).

10. The Hearing Officer concluded that, in relation to “energy drinks”, the word MAX would be taken as designating that an energy drink was an enhanced or superior version of the product, so the s.3(1)(c) objection succeeded to that extent. However, the ‘581 application was otherwise acceptable for registration.⁵

11. Since “energy drinks” had not been specifically itemised in the ‘581 specification, the Hearing Officer suggested that PepsiCo could amend the specification of goods to the following (emphasis added):

“Mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; but not including energy drinks; syrups and other preparations for making beverages.”

12. He gave PepsiCo 21 days in which to request such an amendment or another amendment to the same effect and warned that, if it did not do so, the application would be refused for “other non-alcoholic drinks”. In the event, PepsiCo did not request any amendment and therefore the Hearing Officer confirmed the outcome of the opposition to the ‘581 application to be that it could proceed except in relation to the wording struck out below:⁶

“Mineral and aerated waters ~~and other non-alcoholic drinks~~; fruit drinks and fruit juices; syrups and other preparations for making beverages.”

13. PepsiCo’s Notice of Appeal challenges the Hearing Officer’s conclusion as to the descriptive nature of MAX for energy drinks and seeks the reinstatement of the words struck out from the ‘581 specification.

The Evidence

14. Both parties filed evidence in the various proceedings. Issues arise in this appeal in relation to the evidence presented on each side from individuals from outside their respective group companies, who had some expertise in relation to the drinks industry.

15. Osotspa relied on a Statutory Declaration made by Mr Richard Hall, who has been a specialist consultant to the soft drinks industry since 1987 and is the Chairman of Zenith International, an international consulting business that provides market analysis and commercial advice and information about the food and drink sector. The declaration runs to 13 pages/45 paragraphs and its scope was summarised by the Hearing Officer as follows:

⁵ Provisional decision, paragraph 129-131.

⁶ Confirmation decision, paragraphs 2, 3 & 5.

20. Mr Hall's evidence covers five broad areas. Firstly, he gives evidence based on his own experience as to the meaning and significance of the word MAX in relation to soft drinks. Secondly, he conducts a critical review of the evidence filed by Pepsi both prior to the acceptance of application 2020960, and subsequently in these proceedings. Thirdly, he gives evidence as to the extent of the use of the word MAX by third parties. Fourthly, he gives his opinion as to the (absence of a) likelihood of confusion between Osotspa's mark and Pepsi's MAX trade mark. Fifthly, he analyses the similarity between cola flavoured drinks and other non-alcoholic drinks, including energy drinks.

16. The Hearing Officer noted that Osotspa did not rely on the second and fourth categories of evidence from Mr Hall, in recognition of the fact that they covered matters that should be left for the Hearing Officer to decide and in relation to which expert evidence was not appropriate.

17. For its part, PepsiCo relied on a witness statement from Ms Jill Ardagh, the Director General of the British Soft Drinks Association since 1999. Since PepsiCo complains that the Hearing Officer placed insufficient reliance on Ms Ardagh's evidence, and since the statement is very short, I set out the substantive part of it in full:

1. I am Director General of the British Soft Drinks Association of 20-22 Stukeley Street, London, WC2B 5LR and have been associated with the BSDA since 1999. I have been Director General since 1999.

The BSDA was formed in 1987 as a result of the amalgamation of various organisations. The formation of the BSDA not only provides a single trade association for the UK soft drinks industry, representing all types of soft drinks – carbonates, fruit juices, bottled waters, still and dilutable drinks – but also has provided a strong and unified industry voice, of which we are proud.

2. I confirm that both I and the BSDA are aware of the MAX brand. It is a long-standing and well known brand of Pepsi in the UK.
3. To the best of my knowledge, MAX is not used by any other soft drink manufacturer in the UK.
4. I, on behalf of the BSDA, believe that use of MAX in connection with another soft drink would be confusing for consumers.

18. The evidence from other witnesses has not been put in issue in this appeal.

Representation and Proper Approach

19. At the appeal hearing, PepsiCo was represented by Jeremy Pennant of D Young & Co. and Osotspa was represented by Counsel, Douglas Campbell, instructed by Baron Warren Redfern.

20. Both Mr Pennant and Mr Campbell accepted that my job is to review the hearing officer's decisions, not re-hear the case, and that I should show "a real reluctance,

but not the very highest degree of reluctance, to interfere in the absence of a distinct and material error of principle”: *REEF Trade Mark* [2002] EWCA Civ 763, [2003] RPC 5 at [28]. Further, a decision does not contain an error of principle merely because it could have been better expressed.

21. I also bear in mind the observation of Daniel Alexander QC (sitting as a Deputy High Court Judge) in *Digipos Store Solutions Group Ltd v Digi International Inc.* [2008] EWHC 3371 (Ch) at [6] that:

In the context of appeals from the Registrar relating to section 5(2)(b) of the Act, alleged errors that consist of wrongly assessing similarities between marks, attributing too much or too little discernment to the average consumer or giving too much or too little weight to certain factors in the multi-factorial global assessment are not errors of principle warranting interference.

Statutory provisions

22. Section 3(1) of the Act provides 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, geographic 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.

23. These provisions implement article 3(1) and the proviso at article 3(3) of First Council Directive 2008/95/EC of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version) (“**the Directive**”) and they correspond to articles 7(1) and 7(3) of Council Regulation (EC) No. 207/2009 on the Community trade mark (“**the Regulation**”).

24. The relevant parts of section 5 of the Act provide as follows:

(2) A trade mark shall not be registered if because –

- (a) ...

- (b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier mark is protected,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.

- (3) A trade mark which is identical with or similar to an earlier trade mark shall not be registered if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom (or, in the case of a Community trade mark or international trade mark (EC), in the European Community) and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.

- (4) A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented –

- (a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, ...

- (b) ...

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an “earlier right” in relation to the trade mark.

25. These provisions reflect various parts of article 4 of the Directive, and parallel provisions in relation to Community trade marks are found in article 8 of the Regulation.

Appeal in relation to the ‘646 application

26. PepsiCo’s grounds of appeal in support of its overall contention that the ‘646 application should have been rejected in its entirety were, in summary, as follows:

- (1) in relation to the assessment of similarity of goods, the Hearing Officer incorrectly applied the law, in that he wrongly accepted a summary of Mr Hall’s evidence put forward by Osotspa’s Counsel at first instance and overly dissected the drinks categories of “soft drinks” and “non-alcoholic beverages”;
- (2) the Hearing Officer placed too much reliance on the evidence of Osotspa’s witness, Mr Hall, which was littered with conjecture and deficient in a number of other respects; whereas he gave insufficient consideration to the evidence of PepsiCo’s witness, Ms Ardagh;
- (3) the Hearing Officer was wrong to conclude that PepsiCo’s earlier mark MAX only had an average degree of distinctive character and should have found that the mark had acquired a highly distinctive character as a result of the use made of it;

- (4) when comparing the marks in issue, the Hearing Officer should have concluded that MAX or MMAX forms the dominant element of the ‘646 application and that there is thus a “reasonable to high degree of similarity” between the marks;
- (5) the Hearing Officer did not take account of the fact that sports men and women purchase cola flavoured drinks, thus enhancing the overlap between the average consumers for such drinks and sports and isotonic drinks;
- (6) when assessing the likelihood of confusion, the Hearing Officer failed to consider all of the circumstances in which the mark applied for might be used and, in particular:
 - a) he should have taken account of Mr Hall’s evidence as to the overlap between cola flavoured drinks and energy drinks in 2009, as evidence of use which might have been expected to take place and did in fact take place; and
 - b) he should have taken account of the fact that, in a drinks list, the ‘646 mark would be listed as MMAX, which would lead people to believe there was a connection with PEPSI MAX;
- (7) the proper application of the relevant case law on section 5(2)(b) of the Act to the circumstances of this case should have resulted in a finding of a likelihood of confusion in respect of sports drinks, isotonic drinks and energy drinks in addition to soft drinks and fruit drinks;
- (8) in relation to section 5(3), the Hearing Officer was wrong to conclude that the mark applied for would not call to mind PepsiCo’s MAX trade mark and that no other injury to Pepsi or advantage to Osotspa would arise; and
- (9) in relation to section 5(4)(a), the Hearing Officer “was wrong to conclude ... that to succeed in a claim for Passing Off there needed to be a likelihood of confusion before there could be a misrepresentation and that as a result of the earlier error no likelihood of confusion existed”.

27. Osotspa filed a Respondent’s Notice asserting that PepsiCo’s Statement of Grounds of Appeal does not identify any distinct or material error of principle and going on to say that the Hearing Officer did make some errors in the decisions, but that these were all favourable to PepsiCo rather than the other way around. Since Osotspa does not pursue any cross-appeal, but simply asks for the first instance decision to be upheld, I shall only deal with those points that are relevant to PepsiCo’s appeal, picking them up as they arise in the analysis below.

Section 5(2)(b)

Ground (1): similarity of goods

28. PepsiCo rightly concedes that the Hearing Officer cited the correct authority that applies to the assessment of similarity of goods, *Canon Kabushiki Kaisha v MetroGoldwyn-Mayer Inc* [1999] RPC 117 at [23]:

“In assessing the similarity of the goods or services concerned, ..., all the relevant factors relating to those goods or services themselves should be taken into account. Those factors include, inter alia, their nature, their intended purpose and their method of use and whether they are in competition with each other or are complementary.”

29. He thus clearly had the relevant factors in mind when considering the similarity of the goods in the specification for the ‘646 application to “*cola flavoured drinks*” for which PepsiCo’s earlier 2020960 trade mark was registered. He is also a hearing officer with considerable experience in applying the guidance set out here. The terms in which he did so are as follows:

94. Mr Tritton provided the following summary of Mr Hall’s evidence on this point, which I gratefully adopt.

Osoetspa has filed evidence from Mr Hall which describes the various drinks markets. His evidence can be summarised as follows:

57.1. Prior to 6th July 2007, cola-flavoured drinks and energy drinks were not confusably similar products (¶31, Hall).

57.2. Energy drinks are primarily functional whereas cola-flavoured drinks are primarily taken for their taste (¶34, Hall).

57.3. Fruit drinks are generally non-carbonated but can be considered as a separate segment to carbonated soft drinks and there is no cross over in colour, fruit content, imagery or taste (¶37, Hall);

57.4. Sports and isotonic drinks are a different market to cola flavoured drinks. In particular, they are promoted to aid sports performance and recovery (¶38, Hall);

57.5. Generally, within soft drinks, cola-flavoured drinks have a strong identity and people see them as a separate segment of products and would not confuse them with other types of carbonated soft drink (¶39, Hall);

95. I understand that Mr Hall’s statement that a cola flavoured drink and an energy drink are not “confusably similar products” means that one would not mistake one of these products for the other. With a couple of exceptions (see below), I broadly accept his evidence as summarised above, but bear in mind that the scope of s.5(2) is wide enough to cover products that would not be directly confused, but which are similar enough (when combined with similar marks) to cause an average consumer to believe that the respective goods are those of the same undertaking, or an economically related undertaking. So the fact that a consumer would not mistake cola

for lemonade does not mean that there would be no confusion if different undertakings used the same or similar trade mark for these products.

96. I also accept the point made implicitly in paragraph 57(1) of Mr Tritton's skeleton (above) that the similarity of goods must be assessed at the date of the application for registration: *Reed v Reed*, Court of Appeal [2004] RPC 40. Consequently, the introduction for the first time in 2009 of a cola flavoured energy drink is irrelevant.

97. Ms McFarland sought to build a connection between cola drinks and energy drinks on the basis that both usually contain caffeine. Be that as it may, I think that consumers would attach more weight to the difference in the purpose of the products, as described by Mr Hall (see paragraph 57(2) of Mr Tritton's skeleton above). I conclude that these products are more different than they are similar in purpose, and they are not in competition or complementary. Both products are processed drinks, so they are plainly similar in nature and also in the method of use, i.e. one could drink either from a can. In my view, there is a moderate degree of similarity between these products.

98. I find that broadly similar considerations apply to the similarity between, on the one hand, cola flavoured drinks and, on the other hand, sports and isotonic drinks. However, I believe that the difference in the purpose between these products is less clear cut (compared to energy drinks). This is because in certain circumstances one might use a cola flavoured drink to help counter mild dehydration. Consequently, there is a small degree of competition between these products. Taken together with the other similarities, there is therefore a reasonable degree of similarity between them.

99. Similarly, if one is looking for a soft drink for refreshment purposes there will be occasions on which those of us who are not committed cola drinkers will choose between a cola and a fruit drink, which might include a carbonated fruit drink. There is therefore a greater degree of similarity again between the purpose of these products, and also a greater degree of competition. The respective goods are therefore highly similar. The same considerations might be thought to apply to fruit juices, but in reality I suspect that the choice between a cola drink and a fruit juice would often be strongly influenced by the relative health benefits (or disbenefits) of these beverages. Consequently, the level of competition between fruit juices and cola drinks is likely to be quite small. Nevertheless, there is a reasonable degree of similarity between these products.

100. Whilst I accept that cola-flavoured drinks have their own niche within the wider soft drinks market, it is, I believe, self evident that the purpose of cola flavoured drinks and other carbonated drinks, such as lemonade, is the same. Further, although many individuals have preferences, others may be equally happy with cola or lemonade. There is therefore quite a high degree of competition between these products. Overall, I consider cola flavoured drinks to be highly similar to other soft drinks.

101. By contrast, I see very little similarity at all between, on the one hand, cola flavoured drinks and, on the other hand, syrups, powders and preparations for making drinks other than colas and cola flavoured drinks.

30. Mr Pennant started his submissions at the hearing by reiterating the complaint in the Statement of Grounds that the Hearing Officer had relied on a summary of Mr Hall's evidence, set out in the first instance skeleton argument for Osotspa, which missed

out some relevant evidence found at paragraph 35 of Mr Hall's Statutory Declaration in which he said the following:

35. In 2009 an overlap has emerged between cola-flavoured drinks and energy drinks and it is becoming potentially confusing. For example, recently launched this year in the UK is a product called "Rockstar Energy Cola", which is a cola-flavoured energy drink. In addition, we have recently had launched "Red Bull Simply Cola" which I expect quite a number of consumers will imagine is a cola-flavoured Red Bull energy drink, but it is in fact is (sic.) a straightforward cola-flavoured drink with Red Bull branding. However, this is a transitional period, and the distinction between the products may become clearer again. Many products deliberately defy strict product characteristics in order to bridge benefits from supportive market segments.

31. I do not place any reliance on the fact that the Hearing Officer quoted a summary of Mr Hall's evidence which omitted the above paragraph. He had set out the paragraph in full earlier on in his decision (paragraph 24) and had clearly read the evidence and considered it carefully, referring to it at various points throughout his decision. The fact that he reproduced a convenient summary of the evidence when dealing with the similarity of goods does not mean that he did not take into account other matters in the underlying statutory declaration.
32. PepsiCo say that the Hearing Officer should have relied on the evidence of overlap between cola flavoured drinks and energy drinks in 2009 to find a high degree of similarity between these types of drinks. In relation to that, Mr Pennant did not cite any authority that contradicted the Hearing Officer's conclusion at paragraph 96 quoted above that similarity of goods must be assessed at the date of the application for registration. Although *Reed v Reed* [2004] EWCA Civ 159, on which the Hearing Officer relied, was looking at the slightly different question of a change in the meaning of words or a change in the Nice Classification of goods after the application date, it was an example of the application of the basic principle that a specification of goods should be assessed as at the application date.
33. Secondly, PepsiCo argue that the fact that cola flavoured and energy drinks overlapped two years after the application date showed that there was already a likelihood of this happening as at the application date and this should have been taken into account. In the absence of any evidence to show that such an overlap was expected at the filing date, I think that this suggestion goes too far. Even Mr Hall suggested that the 2009 overlap between cola-flavoured drinks and energy drinks was a "transitional period" after which the distinction between the two types of drink could become clearer again. On PepsiCo's approach, the question would arise as to how far one's crystal ball gazing would need to go into the future to determine similarity of goods. The answer is that crystal balls should not come into the equation.

34. Turning to the related criticism that the Hearing Officer overly dissected the drinks categories involved, Mr Pennant relied on the judgment of the General Court in *La Perla srl v OHIM* (Case T-59/08) in which the Court referred to the goods concerned (jewellery and women's clothing) as being in "adjacent market segments" and relied on this finding in concluding that the relevant public would make a connection between two similar marks used on the two types of goods concerned. I do not find this judgment to be of assistance: it concerned an objection under article 8(5) of the Regulation, which does not even require proof of similarity of goods in its assessment. No doubt the fact that goods are in adjacent market segments is a matter that should be taken into account in assessing similarity of goods, but it is not in itself determinative. In any event, the evidence did not refer to cola flavoured drinks as being in adjacent market segments to sports drinks, isotonic drinks or energy drinks. On the contrary, Mr Hall expressed the opinion that "sports and isotonic drinks are a different market to cola flavoured drinks" and "within soft drinks, cola-flavoured drinks have a strong identity and people see them as a separate segment of products".
35. To the extent that PepsiCo's criticism is that the Hearing Officer was too pernickety in analysing similarity of goods separately in relation to each type of beverage listed in Osotspa's specification, in my view this is unfounded. It is well-established that an opposition tribunal must deal with each of the goods listed in the specifications for the two trade marks in issue when considering an objection under section 5(2)(b) or the equivalent article 8(1)(b) of the Regulation. It would therefore have been dangerous for the Hearing Officer to lump together the various types of drinks listed in the Osotspa specification when considering their similarity with cola-flavoured drinks.
36. In summary, none of the above criticisms persuade me that the Hearing Officer fell into error in reaching his various conclusions on similarity of goods and in particular that:
- a) there is a moderate degree of similarity between cola drinks and energy drinks;
 - b) there is a reasonable degree of similarity between cola drinks and sports and isotonic drinks.

Ground (2): Over reliance on Mr Hall's evidence

37. Mr Pennant listed a number of specific criticisms of Mr Hall's evidence in his skeleton argument, mentioning conjecture, inconsistency, irrelevance, questionable language, lack of basis and incorrect statements. Given these criticisms, he argued that the Hearing Officer should not have given such weight as he did to Mr Hall's

evidence. On the other hand, he did not, but should have, given weight to the evidence of Ms Ardagh.

38. The criticisms of Mr Hall's evidence are only of assistance to PepsiCo at this appeal stage if and to the extent that the Hearing Officer placed reliance on aspects of his evidence to which the criticisms are legitimately directed. I do not believe that this is the case. Osotspa's Counsel at first instance realised that some aspects of Mr Hall's evidence encroached too much on the role of the tribunal and therefore placed no reliance on those aspects, and the Hearing Officer did not do so either. The Hearing Officer himself commented that Mr Hall's evidence on the question of the meaning of 'MAX' was "a little odd", and did not give it any weight. While he did place some reliance on Mr Hall's evidence as to the similarity of goods, he treated it with appropriate caution and did not rely on it exclusively, but also took into account the various submissions of each side's Counsel as well as his own experience as a potential consumer of the products concerned.

39. There was no contradictory evidence about the similarity of the various drinks concerned. Ms Ardagh did not cover this point at all. Indeed, it is not surprising that the Hearing Officer placed little if any reliance on her witness statement, since she does not give any explanation for her belief that "use of MAX in connection with another soft drink would be confusing for consumers", save for her understanding that "the MAX brand" is a long-standing and well known brand of Pepsi and that, to the best of her knowledge, "MAX is not used by any other soft drink manufacturer in the UK". Her conclusion on confusion is inadmissible. In this regard, the Hearing Officer correctly relied on an extract from Lord Justice Millett's judgment in *The European Limited v The Economist Newspaper Limited* [1998] FSR, 283 at 291, in particular:

"It is legitimate to call evidence from persons skilled in a particular market to explain any special features of that market of which the Judge might otherwise be ignorant and which may be relevant to the likelihood of confusion. It is not legitimate to call such witnesses merely in order to give their opinions whether the two marks are confusingly similar. They are experts in the market, not on confusingly similarity ... In the end the question of confusingly similarity is one for the Judge."

40. As Mr Campbell pointed out, PepsiCo is a large company with means and could have submitted expert evidence in relation to the market(s) for the drinks concerned if it had wished to challenge Mr Hall's evidence on this point.

41. In summary, the Hearing Officer was right to rely on Mr Hall's evidence to the extent that he did and he cannot be criticised for placing little or no reliance on that of Ms Ardagh.

Ground (3): Degree of distinctiveness of MAX

42. PepsiCo criticises the Hearing Officer's conclusions in relation to the distinctive character of its earlier MAX mark, which he expressed as follows:

102. In my view, the earlier mark has only an average degree of distinctive character even taking into account the use made of it. This is because it is made up of a single dictionary word which alludes to (even if it does not describe) some indiscernible-but-positive quality of the goods.

103. The MAX mark has been used extensively and over a long period of time, but whilst this has, in my view, increased its level of distinctive character so as to, at least, clear the minimum threshold for registrability, I do not think that its use as a secondary trade mark has resulted in the mark acquiring a highly distinctive character.

43. These were conclusions on matters which had been the subject of extensive consideration earlier in the decision in the context of Osotspa's invalidity attack on PepsiCo's earlier MAX mark. The decision is published and can be referred to for the detailed analysis. In summary, the Hearing Officer went through the submissions of both sides as to what MAX meant and how it might be used and perceived by consumers in relation to cola flavoured drinks (paragraphs 47-62). He also went through the evidence of use by PepsiCo of the MAX mark (paragraphs 65-78).

44. Mr Pennant first submitted that the fact that MAX was a single dictionary word should not have any bearing on the distinctive character of the mark. He cited the example of APPLE, which is a dictionary word, but which in his submission has a high degree of distinctive character both prima facie and through use. There is an obvious difference between these two examples in that APPLE is a noun whose meaning (in the absence of use) has no relation to either computers or recordings. In contrast, MAX is an adjective (or a well-recognised abbreviation of an adjective) that alludes to a quality of goods, whatever those goods are. Therefore, in the absence of use in relation to a specific trader's goods, it is of low distinctive character. The fact that MAX has a well-understood meaning is clearly a relevant factor to take into account and the Hearing Officer was right to do so.

45. I note in passing that the Opposition Division of OHIM, when considering the earlier CTM opposition between the parties, took a similar approach to the inherent distinctiveness of MAX, as follows (at page 5):

Since the expression 'MAX' is an informal word for "maximum" in the language of the relevant territory [Ireland], the Office considers that in relation to the goods at hand (in essence *non-alcoholic drinks*), the earlier mark can evoke for example the idea of a maximum size (*e.g.* of a bottle) or a maximum refreshment. Consequently, the distinctiveness of the earlier mark must be seen as low."

46. Unlike in the OHIM opposition, the Hearing Officer had to go on to consider to what extent the MAX mark had acquired distinctive character in this case. In seeking to persuade me that the Hearing Officer got the overall level of distinctiveness wrong, Mr Pennant referred me particularly to the unchallenged evidence for PepsiCo that MAX had been used on a substantial scale by 2008 and that there had been no descriptive use of MAX by third parties in the UK in relation to soft drinks by that date. He also referred me to the *HAVE A BREAK* case (Case C-353/03 *Société des Produits Nestlé v OHIM* [2007] ECR I-114) in which the European Court of Justice ruled that the use of a word sequence as part of a word mark can lead to that word sequence acquiring distinctive character.
47. All of these points appear to me to have been taken into account by the Hearing Officer. Earlier in the decision, he went through the evidence of use of MAX by PepsiCo at length. He clearly accepted that there had been extensive and high profile use, and that the fact that most of this use was in conjunction with the PEPSI brand did not preclude MAX from acquiring its own independent distinctive character. He also accepted that there had not been descriptive use by third parties in relation to the goods in issue. However, in his assessment, the mark MAX nevertheless had only acquired an average degree of distinctive character rather than becoming highly distinctive.
48. I do not find any error either in the Hearing Officer's approach or in his conclusion.

Ground (4) Comparison of marks

49. The Hearing Officer's discussion of the comparison of the marks was as follows (emphasis added):
104. Osotspa's mark is a complex figurative mark made up of four circles, three of which are interlocking. A stylised letter 'M' appears quite prominently within the largest of the circles, and the word MAX also appears in rather smaller (and also stylised) letters as though cutting through one of the 'legs' of the letter M.
105. The visual similarity between the marks is limited to the appearance of the word MAX in Osotspa's complex figurative mark. Such stylisation as there is does nothing to increase the visual similarity between the marks. **In my view, the word Max does not dominate the visual impression created by Osotspa's mark.** The circles and the stylised letter 'M' individually make at least as much impact as the word MAX, and collectively they make more impact. On that view of the matter, there is only a modest degree of visual similarity between the respective marks when compared as wholes.
106. The graphical element of Osotspa's mark is unlikely to find verbal expression. Consequently, Osotspa's mark will, in my view, be verbalised as 'M max'. There is therefore a reasonable degree of aural similarity between the marks.
107. To the extent that both marks contain the word MAX there is also a degree of conceptual similarity. However, this is reduced by the fact that the word max in Osotspa's mark will be seen by the average consumer as part of the verbal element

'M max'. Ms McFarland submitted that the 'M' would be seen as merely adding emphasis to the word MAX, or else be taken as merely a verbal expression of enjoyment, as in 'Mmm'. I disagree. In my view, the relative size and positioning of the 'M' and 'max' in Osotspa's mark point away from the 'M' serving merely to add emphasis to the word 'max'. The alternative suggestion that an average consumer will see the 'M' as merely an expression of enjoyment appears to me to be rather fanciful. I do not consider that an average consumer of soft drinks would see any immediately recognisable concept behind the 'M max' element as it appears in Osotspa's mark. Further, such a consumer is unlikely to spend the time analysing the mark that would be necessary in order to find one. I therefore find that there is only limited conceptual similarity between the marks.

50. The fourth ground of appeal, as expressed in the Notice of Appeal and skeleton argument, simply asserted that the Hearing Officer was wrong not to conclude that MAX or MMAX forms the dominant element of the mark applied for, and that instead the Hearing Officer should have concluded that there is a reasonable to high degree of similarity. At the hearing, Mr Pennant sought to give me a reason to overrule the Hearing Officer, asserting that the Hearing Officer considered the marks in isolation rather than in conjunction with the goods in question. Had he taken into account the fact that the mark was for carbonated beverages, the graphical bubbles elements of Osotspa's mark would not have attracted as much attention as they did, and thus the word element would have been deemed more important.
51. I am not persuaded. What Mr Pennant refers to as "bubbles" are highly stylised versions of bubbles if that is indeed what they are meant to be. The fact that they represent the bubbles in the drinks to which the mark is to be applied does not detract from the fairly strong visual impact that they have in the context of the mark as a whole. Further, not all of the claimed goods would be carbonated (e.g. soft drinks, fruit drinks).
52. Mr Pennant then referred to OHIM's decision in the earlier CTM opposition (see paragraph 7 above) in which it was said (at page 3), "visually, the marks are similar to the extent that they include the same term 'MAX'". He then went on to disagree with the Hearing Officer's view that the letter 'M' would be viewed independently of 'MAX' and not merely to emphasise the first letter of 'MAX'.
53. The OHIM decision does not assist PepsiCo since it went on to state in the same paragraph: "... the word 'MAX' in the contested sign is visually perceptible as a separate element because it is visually detached from the additional large letter 'M' due to the different size of script and the fact that it is written over one part of the large 'M'". This accords with the Hearing Officer's description of the visual impact of Osotspa's mark, which seems to me to have been a perfectly acceptable description.

54. I was not given any other reason to overturn the Hearing Officer's findings in relation to the similarity of the marks. It appeared that PepsiCo were just hoping that I would take a fresh look at the comparison and perhaps come out with a finding of greater similarity than the Hearing Officer. In the absence of any discernible error by the Hearing Officer, I am not able to do that, and in any event I agree with his assessment.

Ground (5): Average consumer

55. The Hearing Officer appreciated that he had to assess the likelihood of confusion from the perspective of the average consumer, in respect of which he said the following:

108. As I noted above, the average consumer for soft drinks is the general public. The same applies to fruit drinks and energy drinks. The average consumer of sports and isotonic drinks is more likely to be a person who engages in sports, but even here there will be some use of the product by members of the public who do not consider themselves to be sportsmen or sportswomen.

56. In the Notice of Appeal, PepsiCo made the point that some people who would not consider themselves to be sports men or women would drink sports drinks and isotonic drinks; and some sports men and women would also purchase cola flavoured drinks. Hence there was a considerable overlap between the consumers who would purchase the two sets of goods.

57. It is clear to me that the Hearing Officer accepted that there was the substantial overlap of consumers for which PepsiCo contended, and at the hearing Mr Pennant seemed to concede that there was no real cause for complaint here. Indeed, if anything, as Mr Campbell submitted for Osotspa, the sportsman or sportswoman who consumes sports and isotonic drinks is likely to exercise greater care than the average consumer of soft drinks, thus lowering the chances of confusion occurring with the earlier MAX mark.

Ground (6): Likelihood of confusion

58. PepsiCo claims that the Hearing Officer failed to consider some key possibilities as to the way in which the two marks in issue might be used on the market. There is no doubt that the Hearing Officer was aware that he had to consider a range of possibilities, since he started the section of the decision headed 'Likelihood of Confusion' as follows:

109. When assessing the likelihood of confusion under s.5(2) of the Act it is necessary to consider all the circumstances in which the mark applied for might be used if it were to be registered: see *O2 Holdings Ltd v Hutchison 3G Ltd* Case, C-533/06, ECJ, at paragraph 66 (in relation to the corresponding provision of the underlying Trade Mark Directive). By parity of reasoning the same must to the

earlier mark (*sic.*). It is apparent from the terms of s.5(2) of the Act that the comparison required is between the mark applied for and the earlier trade mark as registered. Consequently, I am required to consider the consequences of concurrent use of the parties' marks in a range of normal circumstances. The global assessment required by the law does not therefore permit me to rely on the distinguishing effect of Pepsi's use of the PEPSI mark or of other additional distinguishing marks.

59. He then relied on his earlier findings as to the similarity of goods, similarity of marks, distinctiveness of the MAX mark, and the identity of the average consumer, to reach the following conclusions (emphasis added):

110. In my judgment, the moderate degree of overall similarity between the marks and the average distinctive character of the earlier mark means that there is no likelihood of confusion unless the respective goods are highly similar. **I therefore reject the opposition insofar as it covers fruit juices, sports drinks, isotonic drinks, energy drinks, and syrups, powders and preparations for making (non-cola) drinks.**

111. I recognise that the marks are closer to the ear than they are to the eye. However, even here the marks do not sound the same. Further, although drinks may be ordered by word of mouth they are usually selected at a point at which the marks are visible, such as a drinks list. In my view, and even allowing for imperfect recollection, there is no prospect whatsoever of a reasonably observant consumer directly confusing Osotspa's mark for the word MAX.

112. Further, given the rather different look and 'feel' of the respective marks as wholes, I do not believe that an average consumer of fruit juices, sports drinks, isotonic drinks, energy drinks, and syrups, and powders and preparations for making (non-cola) drinks is likely to believe that the products marketed under Osotspa's mark are those of the undertaking responsible for marketing cola drinks under the MAX trade mark, or those of an undertaking economically linked undertaking. Consequently, I also reject the likelihood of association (in the sense of indirect confusion) insofar as the above named goods are concerned.

113. **I find that there is a likelihood of indirect confusion if Osotspa's mark were to be used in relation to highly similar goods, such as lemonade, orangeade or carbonated fruit drinks.** In this case the appearance of the word Max in Osotspa's mark is liable to cause the average consumer to believe that Osotspa's mark is used by the same undertaking that uses the mark MAX in relation to colas.

60. At paragraphs 114 and 115 the Hearing Officer summarised the result that the section 5(2)(b) ground of opposition succeeded only in respect of soft drinks and fruit drinks.

61. The first limb of PepsiCo's objection to this aspect of the decision was a re-run of the claim that the Hearing Officer was wrong to disregard Mr Hall's evidence about the overlap between cola flavoured drinks and energy drinks in 2009. This evidence did not relate to the expected manner of use of the marks, but to the degree of similarity of the goods concerned, in relation to which I have already rejected the argument (see paragraph 33 above).

62. The second point related to how the '646 mark would be presented in a drinks list. Although the Hearing Officer referred to the likely use of the marks in a drinks list, he did not say how he would expect the marks to appear. In PepsiCo's submission, the '646 mark would be listed as 'MMAX', while its own mark could appear as 'PEPSI MAX'. Mr Pennant submitted that the General Court decision in Case T-35/08 *Codorniu Napa, Inc. v OHIM* (23 November 2010) supported him on this point since, although the two marks in issue both comprised a combination of a name and a graphical element, the Court placed particular emphasis on the word elements because, as the Court said (at [62]): "consumers [of wines] usually describe and recognise wine by reference to the verbal element which identifies it, in particular in bars and restaurants, in which wines are ordered orally after their names have been seen on the wine list".

63. However, to understand the Court's comment and how it might be applied in the present case, one has to read the context in which it appeared. The case was a CTM opposition under article 8(2)(b) of the Regulation which involved a comparison between an application to register a logo containing the word ARTESA (for wines) and an earlier trade mark for a graphical design of very different appearance above the word ARTESO (registered for alcoholic beverages except beers). At the last stage of considering the overall assessment of the likelihood of confusion, the Court said the following (emphasis added):

60 In that regard, it must be stated that, in the global assessment of the likelihood of confusion, the visual, phonetic or conceptual aspects of the opposing signs do not always have the same weight and it is then appropriate to examine the objective conditions under which the marks may be present on the market (Joined Cases T-117/03 to T-119/03 and T-171/03 *New Look v OHIM – Naulover* (NLSPORT, NLJEANS, NLACTIVE and NLCollection) [2004] ECR II-3471, paragraph 49).

61 The significance of the similarities or differences between the signs may depend, in particular, on the inherent qualities of the signs or the conditions under which the goods or services covered by the signs are marketed. **If the goods covered by the marks in question are usually sold in self-service stores where consumers choose the product themselves and must therefore rely primarily on the image of the trade mark applied to the product, a visual similarity between the signs will as a general rule be more important** (NLSPORT, NLJEANS, NLACTIVE and NLCollection, paragraph 49, and *el charcutero artesano*, paragraph 80). **If, however, the product is primarily sold orally, greater weight will usually be attributed to any phonetic similarity between the signs** (judgment of 8 February 2007 in Case T-88/05 *Quelle v OHIM – Nars Cosmetics (NARS)*, not published in the ECR, paragraph 68).

62 **In the wines sector, unlike the non-alcoholic beverages** referred to in the *KINJI* by SPA judgment (paragraphs 57 and 58), **consumers thereof usually describe and recognise wine by reference to the verbal element which identifies it, in particular in bars and restaurants, in which wines are ordered orally after their names have been seen on the wine list** (Case T-40/03 *Murúa Entrena v*

OHIM – Bodegas Murúa (Julián Murúa Entrena) [2005] ECR II-2831, paragraph 56, and judgment of 12 March 2008 in Case T-332/04 Sebirán v OHIM – El Coto De Rioja (Coto D’Arcis), not published in the ECR, paragraph 38). Accordingly, in the present case, it is appropriate to attach a particular importance to the phonetic similarity between the signs at issue.

64. One can see from this extract that the Court’s emphasis on the possibility of oral ordering of a drink by reference to a list related to wine, with the Court expressly contrasting the position for non-alcoholic beverages, where “the image of the trade mark applied to the product” is more important. Thus the focus in this case should be at least as much on the appearance of the mark as on the word element.
65. Even if one considers that there may be circumstances in which the ‘646 mark could be used in a list, I do not believe that the appearance of ‘MMAX’ on the list would amount to a proper example of use of the mark; it would be an example of use only of its word element. Mr Pennant agreed with me on that, albeit with some hesitance. From my own experience, on which I am entitled to draw in the context of everyday consumer goods, I am aware that some drinks lists in restaurants and bars display the labels or logos for the drinks concerned. It would be reasonable to consider such a list as an example of a situation in which the ‘646 mark might be used; but it is not reasonable to consider a list of names as an example of use of a complex graphical mark containing one of those names.
66. I do not believe that the General Court was suggesting in paragraph 62 of its judgment that the appearance of the name ARTESA on a wine list would have amounted to use of the complex trade mark applied for; rather, the Court was highlighting the fact that consumers take particular notice of the name of the wine when faced with a wine label. This is clear when one looks at the other cases referred to in the above extract. First, Case T-40/03 *Murúa Entrena v OHIM – Bodegas Murúa (Julián Murúa Entrena)* [2005] ECR II-2831:

55 In the present case, it should be borne in mind that, in paragraph 17 of the contested decision, the Board of Appeal considered that the figurative element of the trade mark applied for, showing a typical farmhouse surrounded by vineyards and trees, had a weak distinctive character for the goods covered by the trade mark applied for and that, as a result, the verbal element of that trade mark, namely ‘Julián Murúa Entrena’, dominated the overall impression created by the sign.

56 This assessment can only be endorsed. In the case of a product like wine, a representation of a farmhouse surrounded by vineyards and trees is not an element that allows the relevant public to perceive that figurative component as dominating the image they retain of the trade mark applied for. On the contrary, as OHIM has rightly claimed, consumers usually describe and recognise wine by reference to the verbal element which identifies it, since this element designates in particular the grower or the estate on which the wine is produced.

67. The second authority cited, Case T-332/04 *Sebirán v OHIM – El Coto De Rioja (Coto D’Arcis)* (12 March 2008) is not available in English. However, it is clear from my review of the English case summary and the French version of the decision that this did not relate to the appearance of product names in lists, but to how consumers recognise products, particularly when the graphical element is not particularly distinctive or memorable.
68. Following the above review, there is nothing in PepsiCo’s specific challenges to the Hearing Officer’s assessment of the likelihood of confusion which persuades me that the Hearing Officer fell into error.
69. The Notice of Appeal also suggested that, because the Hearing Officer had made mistakes along the way in relation to similarity of goods and marks, distinctiveness and the average consumer, the resultant conclusion that the opposition succeeded only in respect of soft drinks and fruit juices was flawed and should be revisited. Having rejected all of the underlying arguments, this aspect of the appeal inevitably fails too.

Ground (7): incorrect application of the case law

70. The final ground of appeal under section 5(2)(b) was essentially that the Hearing Officer would have found that there was a likelihood of confusion if he had correctly applied the case law to the facts of the case. However, there was no particular error identified over and above those that I have already dealt with. It was really a sweep-up ground, just in case none of the others had succeeded.
71. Subject to the additional point below, there is nothing in this ground. At paragraph 91 of the decision, the Hearing Officer set out the principles under which he was required to assess the tests under section 5(2)(b), pursuant to the European Court case law developed through *inter alia* the following cases which he cited: *Sabel BV v Puma AG* [1998] RPC 199, *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* [1999] RPC 117, *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel B.V.* [2000] F.S.R. 77 and *Marca Mode CV v Adidas AG & Adidas Benelux BV* [2000] E.T.M.R. 723, *Medion AG v. Thomson Multimedia Sales Germany & Austria GmbH* C-120/04 and *Shaker di L. Laudato & C. Sas v OHIM (LIMONCELLO)* C-334/05 P. The Hearing Officer then went through the various steps in the process of analysing any section 5(2)(b) case, applying the relevant principles as he went.
72. At the hearing, Mr Pennant pointed out that an additional case of some importance had been decided since the first instance decision in this opposition and that, while the Hearing Officer could not be criticised for not taking this into account, it was necessary for me to consider whether the new decision would have changed the outcome of this case. This was *Och-Ziff Management Europe Limited v OCH*

Capital LLP [2010] EWHC 2599 (Ch). Mr Pennant directed me in particular to the section of Mr Justice Arnold’s judgment in which he dealt with “initial interest confusion”. He defined this (at [87]) as “confusion on the part of the public as to the trade origin of the goods and services in relation to which the impugned sign has been used arising from use of the sign prior to purchase of those goods or services, and in particular confusion arising from use of the sign in advertising or promotional materials”. Having reviewed an array of English, European and United States cases, the Judge concluded at [101] that “the weight of authority supports the conclusion that initial interest confusion is actionable under Article 9(1)(b) [of the Regulation]”.

73. The issue of initial interest confusion was important in *Och-Ziff* because there was evidence of people having seen the defendants’ promotional use of the allegedly infringing sign and having thought at the time that this was use by the claimant, but such confusion was dispelled before any business was placed with the defendant. The case was about investment services and therefore relevant consumers were expected to conduct checks before actually doing business with the defendant.
74. It was not explained to me in this case why initial interest confusion would be likely to come into play. There was no evidence to suggest that use of the ‘646 mark in advertising would be any more likely to lead consumers to be confused than use on the product itself. Unlike investment services, this case is about fairly low value everyday consumer goods sold on supermarket shelves and in cafés. The Hearing Officer took into account the relatively low degree of care of the consumers concerned (subject to the slightly greater attention paid by sportsmen and women purchasing sports drinks and isotonic drinks) and still found no likelihood of confusion. So I do not think that the new summary of the law on initial interest confusion takes things any further.
75. I was also shown other passages in *Och-Ziff* which were said to support PepsiCo’s case that the Hearing Officer got his decision wrong. However, those passages related specifically to the facts of the case and did not lay down any principles which the Hearing Officer can be said to have failed to follow in his decision in this case.
76. I therefore conclude that there is no basis for setting aside the Hearing Officer’s decision in relation to the ground of opposition under section 5(2)(b).

Section 5(3)

Ground (8): incorrect findings of no calling to mind, injury or advantage

77. The Hearing Officer started his consideration of the ground of opposition under section 5(3) of the Act by listing the key European Court authorities and the principles that can be derived from them, as follows:

116. I next consider the opposition based on earlier mark 2020960 under s.5(3). The relevant case law can be found in the following judgments of the ECJ: Case C-375/97, *General Motors*, [1999] ETMR 950, Case 252/07, *Intel*, [2009] ETMR 13, Case C-408/01, *Addidas-Salomon*, [2004] ETMR 10 and Case C-487/07, *L'Oreal v Bellure*. The law appears to be as follows.:

- (a) The reputation of a trade mark must be established in relation to the relevant section of the public as regards the goods or services for which the mark is registered; *General Motors*, paragraph 24.
- (b) The trade mark for which protection is sought must be known by a significant part of that relevant public; *General Motors*, paragraph 26.
- (c) The reputation of the earlier mark may extend beyond the consumers for the goods and services for which it is registered; *Intel*, paragraph 51.
- (d) It is necessary, but not sufficient, for the public when confronted with the later mark to make a link with the earlier reputed mark, which is the case where the public calls the earlier mark to mind; *Adidas Saloman*, paragraph 29 and *Intel*, paragraph 63.
- (e) Whether such a link exists must be assessed globally taking account all relevant factors, including the degree of similarity between the respective marks and goods/services, the extent of the overlap between the relevant consumers for those goods/services, and the strength of the earlier mark's reputation and distinctiveness; *Intel*, paragraph 42.
- (f) Although it is not a necessary factor, a link between the trade marks is necessarily established where the relevant public is caused to believe that the goods/services marketed under the later mark come from the owner of the earlier mark, or of an economically connected undertaking; *Intel*, paragraph 57.
- (g) Where a link is established, the owner of the earlier mark must also establish that it has resulted in the existence of one or more of the types of injury set out in the section, or there a serious likelihood that such an injury will occur in the future; *Intel*, paragraph 68: whether this is the case must also be assessed globally, taking account of all the relevant factors; *Intel*, paragraph 79.

78. He then applied those principles as follows:

117. Although the ground was not dropped at the hearing, it was not really argued either. The merits of the case were not mentioned at all in Ms McFarland's skeleton argument. I will assume for present purposes (but without formally deciding the matter) that the earlier mark has the necessary reputation as a result of the extensive use made of it. If it has such a reputation, it will be towards the modest end of the spectrum of reputations. For example, the reputation of MAX is obviously much less than the reputation of PEPSI. Further, it is clear from the case law cited above, and indeed from the wording of the section at issue ("*...distinctive character or the repute of the earlier trade mark...*"), that distinctiveness and reputation are separate concepts. Thus although a mark's reputation can increase its distinctive character it does not follow that every mark with a reputation is necessarily highly distinctive. The distinctiveness of MAX is plainly a lot less than that of a mark consisting of a coined word, again like PEPSI, which is also a household name.

118. In these circumstances, I do not believe that the similarity between the respective marks is sufficient for Osotspa's mark to call the earlier MAX mark to mind amongst relevant consumers of fruit juices, sports drinks, isotonic drinks, energy drinks, and syrups, powders and preparations for making (non-cola) drinks.

And even if that is wrong, there is no basis for concluding that such a link would cause any of the injuries or advantage covered by the section. I have already rejected a likelihood of direct or indirect confusion as to the trade source of these goods if they were sold under Osotspa's mark. No other type of injury to Pepsi, or advantage to Osotspa, has been identified. Consequently, I find that the s.5(3) ground based on earlier mark 2020960 succeeds to no greater extent than the s.5(2)(b) ground based on the same earlier mark.

79. Once again, PepsiCo's Grounds of Appeal tended towards inviting the appeal tribunal to look again at the section 5(3) ground from scratch, rather than pointing to identifiable errors of principle in the decision. Mr Campbell was unhappy about any consideration being given to this ground at all, given that the decision recorded the fact that this ground "was not really argued" at the hearing. However, it is also recorded that the ground "was not dropped", and the Hearing Officer dealt with it based on the original grounds of opposition and evidence, so I think that PepsiCo is entitled to try to persuade me that he made an error when he did so.
80. But I am not persuaded. The Grounds of Appeal and skeleton argument asserted that the Hearing Officer was wrong to conclude that the '646 mark would not call the earlier MAX mark to mind, partly based on Mr Hall's evidence of the 2009 overlap between energy drinks and cola flavoured drinks, and also based on the fact that the Hearing Officer found that for goods such as lemonade there existed a likelihood of confusion, even without relying on PepsiCo's reputation. I have already ruled that this aspect of Mr Hall's evidence does not help PepsiCo in relation to the assessment of the position as at the filing date; and - apart from the fact that the Hearing Officer clearly did take account of the reputation of the MAX mark arising out of its prior use - I do not understand the logic of the second factor relied on. The Hearing Officer did not say that there would be no calling to mind in the case of lemonade; he focused instead on the goods which had not been knocked out of the specification by virtue of the section 5(2)(b) ground of opposition, to see whether Osotspa's application should be rejected for more goods than he would reject under section 5(2)(b).
81. Thus, in the Hearing Officer's view, based on his assessment of the distinctiveness of the MAX mark, with which I have not been able to find fault, he concluded that in respect of those goods which had not already been knocked out by the section 5(2)(b) ground, there would be no calling to mind of the mark by the average consumer when they saw the '646 mark. To my mind that was a legitimate conclusion for him to have reached on the basis of the evidence and arguments before him, and it justified a rejection of the section 5(3) ground of opposition.
82. Although this could have been the end of the matter, the Hearing Officer did proceed to look at the other elements of the case under section 5(3), and Mr Pennant addressed me on these, so I shall consider the position briefly. Mr Pennant suggested

to me that the law had moved on after the Hearing Officer's provisional decision of 19 May 2010, with the publication of the Court of Appeal's judgment in *L'Oréal SA v Bellure NV* [2010] EWCA Civ 535 two days later. This decision involved the application of guidance on the meaning of "taking unfair advantage of the distinctive character or the repute of the trade mark" which was given by the CJEU on 18 June 2009 (Case C-487/07, *L'Oréal v Bellure*) to which the Hearing Officer expressly referred. The point highlighted by Mr Pennant was that the Court of Appeal decision shows that tribunals should be more ready to infer that the applicant intended to benefit from the reputation of the earlier mark. He referred me to the following extract from Jacob LJ's decision (at [49(d)]):

(d) The [CJEU] explains the first two types of injury a little more in [39-40]. It is not necessary to go into these here because of the factual findings of no blurring and no tarnishment. What matters is its explanation of the third type – unfair advantage. Here is what it says:

[41] As regards the concept of 'taking unfair advantage of the distinctive character or the repute of the trade mark', also referred to as 'parasitism' or 'free-riding', that concept relates not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign. It covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation.

[49] ... where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark.

So far as I can see this is saying if there is "clear exploitation on the coat-tails" that is ipso facto not only an advantage but an unfair one at that. In short, the provision should be read as though the word "unfair" was simply not there. No line between "permissible free riding" and "impermissible free riding" is to be drawn. All free-riding is "unfair." It is a conclusion high in moral content (the thought is clearly that copyists, even of lawful products should be condemned) rather than on economic content.

83. As I understand the judgment, Jacob LJ was not commenting on the Court's guidance about how one decides whether free-riding is taking place, or whether intention was necessary, but he was unhappy about the fact that the Court did not impose any additional requirement which would justify a finding that free-riding (once it is found on the facts) was "unfair". I do not believe that this judgment lowered the bar for determining whether the use of a later mark is likely to amount to free-riding. As I observed at the hearing, there is a significant difference between the *L'Oréal* case (which involved identical goods) where the High Court had heard

evidence about the defendants' intention that consumers should make a link between their perfumes and particular perfumes of the claimants, and this case (involving similar goods) where all we have to go on is the content of the two marks, the use of the earlier one, and some information about the state of the market and lack of other MAX drinks as at the filing date.

84. I do not say that it is impossible that the name MMAX could be used on the market in a way which would have the effect contended for by PepsiCo. One can imagine presentational styles that would lead to both a link being made in the minds of consumers and a real prospect of unfair advantage being taken or detriment being caused. But I think that the Hearing Officer was right to conclude that there was no basis to make such a finding when thinking of normal use of the '646 mark in issue on the basis of the evidence in the case.

85. I therefore leave the Hearing Officer's decision in place in relation to section 5(3).

Section 5(4)(a)

Ground (9): error in approach to the section 5(4)(a) ground

86. At the hearing Mr Pennant conceded that he was unlikely to make headway with the appeal against the Hearing Officer's rejection of the ground of opposition based on section 5(4)(a) if he had not persuaded me on any of the other grounds, and did not pursue this aspect of the appeal.

87. I therefore uphold the Hearing Officer's decision in relation to section 5(4)(a).

88. Before concluding in relation to the '646 mark, I note for the record that the Notice of Appeal indicated that PepsiCo would appeal against the Hearing Officer's rejection of the opposition based on its UK registration no. 2020960 under section 5(2)(b) of the Act. I did not include this in the list of grounds at the outset because it was not pursued.

Appeal in relation to the '581 application

89. The history of the '581 application is set out at paragraphs 8 to 13 above. A brief reminder: Osotspa's opposition to PepsiCo's application to register the mark MAX for various beverages in Class 32 was successful under section 3(1)(c) of the Act in relation to "energy drinks" but not otherwise.

90. At the point in the decision when the Hearing Officer dealt with this opposition, he had already ruled on the section 3 invalidity attacks on PepsiCo's separate application to register MAX for cola flavoured drinks. He noted at paragraph 127 that he now had to consider the same issue for a longer list of goods, as at a later

date (2008 rather than 1995), and with neither side bearing the burden of proof since the case was about the *prima facie* registrability of the mark rather than being an attack after registration: *EUROLAMB Trade Mark* [1997] RPC 279.

91. I was not directed to any failure to take account of authority or alleged error that had flowed through from the earlier consideration of the attributes of MAX, and so I do not need to go through that in any detail. The paragraphs for review are as follows (emphasis added):

129. I have already decided that the word MAX is not excluded from registration under s.3(1)(a),(b) or (c) for cola flavoured drinks. I will therefore start from the position that my earlier finding also applies to these oppositions in so far as they extend to the registration of the marks for those goods. The key question is therefore whether the position is any different for waters or other non-alcoholic drinks or preparations for making such drinks.

130. I see no reason for coming to any different conclusion with regard to waters, fruit juices or fruit drinks, or other non-alcoholic drinks, except for energy drinks. Energy drinks often contain stimulants, such as caffeine, in relatively large quantities. Users of energy drinks will know this. Users of energy drinks are therefore liable to see the word MAX as meaning that the product contains the maximum permitted or safe level of the stimulant. **The word MAX would therefore be taken as designating that an energy drink was an enhanced or superior version of the product.** Consequently, the objection under s.3(1)(c) succeeds in so far as application 2491581 to register the word MAX for energy drinks is concerned.

92. PepsiCo's ground of appeal here is that there was no basis for the Hearing Officer's highlighted conclusion in paragraph 130 that MAX would be taken as designating an enhanced or superior version of an energy drink, not least because this conflicts with statements elsewhere in his decision to the effect that MAX should not be rejected under section 3 of the Act.

93. At the hearing, Mr Pennant referred me to the earlier discussion of the meaning of MAX, which I have referred to above. In particular, at paragraph 60:

60. I find that, when used alone, the word MAX would not convey any clear descriptive message about the characteristics of cola flavoured beverages. The mark is certainly suggestive or allusive of some unspecified quality of the product, but the quality itself is not discernable from the mark. In that situation, there is no reason for s.3(1)(c) to be applied so as to leave the term MAX free for unfettered use by other traders.

94. And then at paragraph 102:

102. In my view, the earlier mark has only an average degree of distinctive character even taking into account the use made of it. This is because it is made up of a single dictionary word which alludes to (even if it does not describe) some indiscernible-but-positive quality of the goods.

95. The goods under consideration in both of these paragraphs were cola flavoured drinks, in relation to which the Hearing Officer had the advantage of evidence about

how in practice the MAX mark had been used. At paragraph 61 of the decision, he referred to the fact that PepsiCo generally explained in promotional statements associated with its PEPSI MAX product that this was a ‘full taste, no sugar’ version of the well-known PEPSI cola drink. He inferred that PepsiCo did not consider that the word MAX, without explanation, would convey this message to the consumer.

96. The Hearing Officer made it clear, however, that his conclusion in relation to MAX for cola flavoured products was specific to those products. As he said:

62. In other cases, the fact that a trade mark makes up only a part of a literally complete description may not be enough to avoid falling foul of s.3(1)(c). In particular, where the descriptive impression remains discernable despite the elliptical nature of the mark it will still be caught by the exclusion from registration. Given the popularity of diet versions of soft drinks this may be the case with the word ZERO, which a reasonably attentive consumer might, even without applying an unusual degree of analysis, recognise as an indication of a complete absence of sugar and calories. Similarly, a reasonably attentive consumer of pharmaceuticals, who wants something that helps with his or her cold or flu symptoms, might have little difficulty in discerning that a product bearing the name MAX is likely to contain the maximum permitted amount of active ingredients. Each case, of course, turns on its own facts as shown by the evidence.

97. So I do not think that PepsiCo is right to say that the Hearing Officer’s conclusions earlier in the decision are inconsistent with his conclusion at paragraph 130, since those conclusions were specific to cola flavoured drinks and he was careful to say that they could not be assumed to apply to other goods.

98. Mr Pennant submitted that, taking the evidence as a whole, energy drinks are sufficiently close to PepsiCo’s core products that they should have been dealt with in the same way and not singled out for refusal. However, in the same way that I rejected PepsiCo’s criticism that the Hearing Officer overly dissected the categories of goods in relation to the ‘646 mark, I believe that he was entitled to single out energy drinks based on the evidence that was available to him.

99. The appearance of MAX on an energy drink would lead the average consumer to assume that it contained the maximum amount of stimulant (whether maximum permitted or maximum in the particular product range), whereas MAX on a cola flavoured drink would leave them wondering what was intended. There is an understandable distinction between the two examples, which led to the different conclusions of the Hearing Officer. As to the meaning when it comes to the rest of the specification for the ‘581 application, happily I do not have to consider each of these because there was no appeal in relation to them.

Revised specification for the ‘581 application

100. As mentioned at paragraph 12 of this decision, PepsiCo did not respond to the Hearing Officer’s suggestion of appropriate wording to reflect his refusal of the ‘581

application in relation to energy drinks, which left them at risk of losing the whole umbrella term “and other non-alcoholic drinks”, since “energy drinks” had not been listed separately in the specification. However, at the hearing before me, agreement was reached between the parties’ counsel that, if I were to uphold the decision, PepsiCo would accept the wording that the Hearing Officer proposed.

Conclusion

101. The result is that I reject all of the grounds of appeal, meaning that:

(1) Opposition no. 95807 by PepsiCo against the ‘646 application succeeds in relation to “soft drinks” and “fruit drinks”, but the application may proceed to registration in respect of the other goods in the specification, i.e.:

“Sport drinks and isotonic drinks, energy drinks and fruit juices, but not including any cola drinks or cola flavoured drinks; syrups, powders and other preparations for use in making soft drinks, fruit drinks, sport drinks and isotonic drinks, energy drinks and fruit juices, but not including any syrups, powders and other preparations for use in making cola drinks or cola flavoured drinks.”

(2) Opposition no. 98358 by Osotspa against the ‘581 application succeeds to the extent that it covered “energy drinks”, but the application may proceed to registration in respect of the following revised specification:

“Mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; but not including energy drinks; syrups and other preparations for making beverages.”

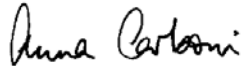
102. The appeal having failed, I shall leave the first instance costs awards in place, as set out in the Hearing Officer’s confirmatory decision of 20 July 2010, the outcome of which was that Osotspa was to pay PepsiCo £2,900.

103. Appeals to the Appointed Person are not expressly referred to in the current Tribunal Practice Notice on costs (TPN 4/2007), but there is a well-established convention that regard is paid to this published scale of costs in making awards on appeals. Bearing in mind that this was effectively two appeals heard together, albeit one far heftier than the other, that Osotspa instructed Counsel (which it was entitled to do), and that I have rejected all of the grounds of appeal, I award costs in favour of Osotspa as follows:

(1) £900 for considering PepsiCo’s Notice of Appeal and Statement of Grounds and preparing the Respondent’s Notice;

(2) £1,500 for the preparation for and attendance at the hearing.

104. The net effect of these two awards is that Osotspa should pay to PepsiCo the sum of £500. In view of the fact that the parties are both based in different countries outside the UK, I shall allow a little longer than usual for this payment to be made. I therefore order that Osotspa should pay £500 to PepsiCo within 21 days of being notified of this decision.



ANNA CARBONI

16 February 2012

The Appellant (PepsiCo) was represented by Jeremy Pennant of D Young & Co.
The Respondent (Osotspa) was represented by Counsel, Douglas Campbell, instructed by Baron Warren Redfern.