

**O/071/17**

**TRADE MARKS ACT 1994**

**APPLICATION No. 3136741**

**BY VERSATILE SOLUTIONS (HONG KONG) LIMITED  
TO REGISTER KRÜG AS A TRADE MARK IN CLASS 28**

**AND**

**OPPOSITION No. 406118**

**BY MHCS, A MEMBER OF THE LOUIS VUITTON  
MOET HENNESSY GROUP OF COMPANIES**

**Background and pleadings**

1. This is an opposition by MHCS (“the opponent”) to an application filed on 18<sup>th</sup> November 2015 (“the relevant date”) by Versatile Solutions (Hong Kong) Limited (“the applicant”) to register **Krüg** in class 28 as a trade mark for:

“Fitness and exercise equipment; gymnastic and sporting articles; childrens’ toy bicycles.”

2. The opponent is a member of the Louis Vuitton Moët Hennessy Group of companies and manages the KRUG Champagne brand on its behalf.

3. The grounds of opposition are, in summary, that:

- The opponent is the proprietor of earlier UK trade mark 1113407 and earlier EU trade mark 3428695, both of which consist of the word KRUG and are registered for Champagne;
- The contested mark is identical in all material respects to the earlier marks;
- The earlier marks have a substantial reputation in the UK and the EU as a result of the longstanding use of KRUG as a trade mark for an exclusive Champagne;
- The KRUG mark is unique across the whole market;
- Despite the dissimilarity between the respective goods, the public will make a link between the contested mark and the earlier marks;
- This link will be sufficient for the public to believe that the goods sold under the contested mark are economically connected with the user of the KRUG mark for Champagne;
- Alternatively, the reputation of the KRUG mark for an exclusive, luxury, and prestigious product will transfer to the contested mark and the goods sold under it;
- This will misappropriate the cachet associated with the KRUG mark and thus make it easier to sell the applicant’s goods;
- Use of the contested mark will therefore take unfair advantage of the distinctive character and reputation of the earlier marks;

- Use of the contested mark will damage the distinctive character of the earlier marks because they will no longer immediately call to mind the opponent's luxury Champagne;
- Use of the contested mark in relation to sports articles, bicycles and gym equipment will damage the reputation of the earlier marks by "dumbing down" the quality and aura of prestige associated with the KRUG Champagne mark;
- The applicant does not have due cause to use the contested mark.

4. The opponent therefore says that registration of the contested mark would be contrary to section 5(3) of the Trade Marks Act 1994 ("the Act").

5. Further, or alternatively, the opponent claims that to have acquired a valuable goodwill under the KRUG mark. The opponent says that use of the contested mark will cause the public to believe that the user of the contested mark is connected or associated with the user of the opponent's KRUG mark. Therefore, use of the contested mark would constitute a misrepresentation to the public and damage the opponent's goodwill through loss of sales and/or the harm caused to its reputation.

6. The opponent therefore says that registration of the contested mark would be contrary to section 5(4)(a) of the Act.

7. The applicant filed a counterstatement denying the claims made. I note, in particular, that the applicant:

- Put the opponent to proof of use of the earlier marks;
- Put the opponent to proof of the reputation and goodwill claimed to be associated with the earlier marks;
- Claimed that the disparate nature of Champagne on the one hand, and sports articles, bicycles etc. on the other, meant that there was no likelihood of confusion/deception, or any of the other consequences specified in the notice of opposition.

8. Both sides seek an award of costs.

## The evidence

9. The opponent's evidence takes the form of 2 witness statements by Laurent de Coninck, who is the Head of the Intellectual Property Department at Moët Hennessy (the opponent's parent company), and one each by Antony Rixon and Edward Jerrome, who work as buyers for trade customers for wines and Champagnes.

10. Mr de Coninck's evidence is that KRUG Champagne has been exported to the UK since 1844. Between 2010 and 2015 the opponent sold 750k bottles of KRUG Champagne globally, 250k of which were sold in the UK. The UK sales resulted in a total net revenue of €25m. The opponent has provided market share evidence which indicates that it has around 8% of the UK market for 'prestige cuvées' of Champagne. However, all the prestige cuvées together make up only about 1.5% of the total UK market for Champagne.

11. The opponent has spent considerable sums advertising KRUG Champagne. Between 2010 and 2015, the opponent spent €4m promoting its product in the UK.

12. The opponent promotes its KRUG Champagne partly by collaborating with high profile restaurants with Michelin-starred chefs to offer exclusive food and Champagne pairings. In September 2015, the opponent staged a musical dining experience at London's Metropolis Studios, comprising a four course meal prepared by a Michelin starred chef together with KRUG Champagnes.

13. The opponent's Champagne is regularly featured in the media and press. For example, in 2012, Wine Spectator (a major wine publication with close to 3 million readers worldwide) placed 6 KRUG Champagnes in its top 10 Recommended Champagnes list. In 2013 KRUG was named as Wine Spectator's Best Rated Champagne House for the 19<sup>th</sup> consecutive year.

14. In June 2012, Drinks Business listed KRUG as the top ten "*Parker-rated vintage Champagnes*", the top three all being KRUG products.

15. Also in 2012, Decanter magazine highlighted “Krug 1928” in its Wine Legends feature.

16. In an article in the men’s lifestyle magazine Esquire in 2014, the Manager at Hedonism Wines in Mayfair London described KRUG Clos de Mesnil 2000 as *“One of the greatest champagnes ever; the perfect balance of power and finesse”*.

17. An article in The Independent in October 2015 entitled *“10 Best Champagnes”* stated that *“No champagne compares to Krug – it is simply the best.”*

18. In 2016, KRUG was named ‘The World’s Most Admired Champagne Brand’ by Drinks International magazine.

19. Mr de Coninck states that a search on KRUG conducted on the Google search engine produced results in which every entry on the first page of hits bar one related to KRUG Champagne (the other one related to Krug Bäumen, a long established watch maker).

20. Mr Rixon runs the On-Trade sales team at Bibendum Wine, which is a large UK wine merchant. He has a long history in the wine business and is clearly very experienced. He has worked with the opponent in the past. According to Mr Rixon, KRUG is *“arguably the most well thought of and top cellar non-vintage champagne.”* He also says that KRUG *“is regarded as a ‘premium beverage’ and has become a household name with associations of luxury and sophistication.”* Mr Rixon says that he would expect a KRUG branded product to be *“somehow sponsored by, or connected with, the Opponent, particularly if the product used a similar typeface.”*

21. Mr Jerrome is Head of Wine Buying at Convivial Plc. He has almost 2 decades of experience of the wine and Champagne industry. As a result, he says that he is *“very familiar”* with KRUG Champagne. Mr Jerrome says that *“what stands out with KRUG champagne brand is that it sits within a small group of champagnes that make up a prestige portfolio (together with, say, Dom Perignon and Cristal) which an average man in the street, with little or no knowledge champagne, would still recognise and respect as a benchmark for luxury and quality.”*

22. The applicant's evidence consists of a brief witness statement by Adrian Farebrother, who is a director of the applicant company. Mr Farebrother says that there was no intention to take unfair advantage of, or be detrimental to, the KRUG Champagne mark, or to misrepresent the applicant as having any connection with the opponent. According to Mr Farebrother, the applicant decided to use the contested mark in relation to fitness, exercise and sporting articles, and children's bicycles because KRUG has a connection with many futuristic films, such as Superman and 'Thor', a mythical character of strength and power. He says that the contested mark therefore seemed an entirely appropriate brand name for the applicant's products.

23. Mr de Coninck second witness statement replied to Mr Farebrother's evidence. In his reply evidence Mr de Coninck points out that in 2002 the applicant applied to register the same mark in relation to very different goods, such as dishwashers, washing machines, and apparatus for lighting and deep fat fryers. The opponent successfully revoked the previous registration of the trade mark. Mr de Coninck notes that the applicant's current explanation for its choice of trade mark is manifestly inapplicable to the goods covered by the earlier trade mark. He thereby infers that the applicant's explanation for the choice of the contested mark is untrue.

### **The passing off right claim**

24. It is convenient to start with the s.5(4)(a) ground of opposition. Section 5(4)(a) states:

"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, or

(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. The necessary requirements to establish a passing off right are well established. They are, essentially, (1) goodwill in a business identified by a sign, (2) a misrepresentation by the defendant by the use of a sign similar enough to the claimant’s sign to deceive (intentionally or otherwise) a substantial number of the claimant’s customers or potential customers into believing that the defendant’s goods or services are those of the claimant, and (3) damage to the claimant’s goodwill caused by the defendant’s misrepresentation.

23. There is no evidence that the contested mark was in use prior to the date of the trade mark on 18<sup>th</sup> November 2015. Consequently, that is the [only] relevant date for assessing the passing-off right claim.

24. There is no doubt that there existed a protectable goodwill in the UK under the mark KRUG at the relevant date. The goodwill was in a business producing and selling Champagnes. The applicant does not appear to dispute that, if there is such a goodwill, the opponent is entitled to exercise the related passing off right and therefore qualifies as the proprietor of the earlier right. This seems plainly correct and I find accordingly.

25. The applicant disputes the extent of the opponent’s goodwill, pointing out that UK sales of KRUG Champagne are quite small compared to the whole of the Champagne market. The opponent’s counters that KRUG Champagne is a prestige bottling that has attracted a lot of media interest because of its high quality and luxury image. Further, the UK trade in KRUG Champagnes goes back to 1844, so there is a long history of trade in Champagne under the mark in the UK.

26. I accept the opponent’s submission. Rather like Rolex watches and Rolls Royce motor cars, a lot more people will have heard about KRUG Champagne than would have tasted it. However, most Champagne drinkers are potential customers of KRUG Champagne and so they form part of the opponent’s goodwill, as well as those customers who have actually bought the product. On the evidence, there are

likely to many thousands of UK consumers in the latter category too. I therefore find that the opponent had a substantial UK goodwill under the KRUG mark at the relevant date.

27. The difference between **Krug** and **Krüg** is likely to be lost on most UK consumers. This is because UK consumers are not accustomed to applying umlauts to letters and therefore attach little significance to them. Therefore, the marks are effectively identical.

28. However, there is a substantial difference between *Champagnes* and *fitness and exercise equipment; gymnastic and sporting articles; childrens' toy bicycles*. The opponent submits that there is a real risk that the relevant public would believe that the applicant's goods are those of the opponent, or promotional items to support the opponent's brand, or related to the opponent in some other way. In this connection, the opponent relies on Mr Rixon's evidence that he would expect the applicant's goods to be "*somehow sponsored by, or connected with, the Opponent, particularly if the product used a similar typeface.*" In *esure Insurance Ltd v Direct Line Insurance Plc*,<sup>1</sup> L. J. Arden stated that:

"62. Firstly, given that the critical issue of confusion of any kind is to be assessed from the viewpoint of the average consumer, it is difficult to see what is gained from the evidence of an expert as to his own opinion where the tribunal is in a position to form its own view. That is not to say that there may not be a role for an expert where the markets in question are ones with which judges are unfamiliar: see, for example, *Taittinger SA v Allbev Ltd* [1993] F.S.R. 641"

29. Following this approach, I cannot attach any real weight to Mr Rixon's evidence that he, as an expert in wines and champagnes, would expect a connection of some sort between the opponent and goods sold under the contested mark. Further, even if I were to accept that Mr Rixon's views are likely to be representative of a substantial number of ordinary consumers (which I do not), I do not consider that his evidence

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<sup>1</sup> [2008] EWCA Civ 842



that he would expect the applicant's goods to be "*somehow sponsored by, or connected with, the Opponent*" assists the opponent so far as the claimed passing off right is concerned.

30. In *Harrods Limited v Harroddian School Limited*<sup>2</sup> Millet L.J. stated:

"It is not in my opinion sufficient to demonstrate that there must be a connection of some kind between the defendant and the plaintiff, if it is not a connection which would lead the public to suppose that the plaintiff has made himself responsible for the quality of the defendant's goods or services. A belief that the plaintiff has sponsored or given financial support to the defendant will not ordinarily give the public that impression. Many sporting and artistic events are sponsored by commercial organisations which require their name to be associated with the event, but members of the public are well aware that the sponsors have no control over and are not responsible for the organisation of the event. Local teams are often sponsored in similar fashion by local firms, but their supporters are well aware that the sponsors have no control over and are not responsible for the selection or performance of the players."

31. Consequently, a belief that the opponent sponsors the applicant, or that the applicant's goods are promotional items for the opponent's Champagne is not sufficient to substantiate a passing off right, unless the relevant public also believe that the opponent is somehow responsible for the quality of the goods. There is no evidence of a relevant connection.

32. Further, it is not sufficient that the opponent's customers and potential customers are caused to wonder whether or not there may be a relevant connection between the opponent and goods sold under the contested mark. There must be an actual assumption of such a connection.<sup>3</sup>

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<sup>2</sup> [1996] RPC 697

<sup>3</sup> See *Phones 4U Ltd v Phone 4U.co.uk Internet Ltd* [2007] RPC 5 at paragraphs 16–17 of the judgment of Jacob L.J.

33. In my judgment, the difference between the types of goods involved in this case makes it unlikely that the opponent's customers or potential customers will expect or assume that the opponent is responsible for the quality of the applicant's goods. In the absence of persuasive evidence to the contrary, I therefore find that use of the contested mark would not amount to a misrepresentation to the relevant public.

34. In *Stringfellow and Anr. v McCain Foods (G.B.) Limited and Another*<sup>4</sup>, Stephenson L.J. explained why cogent evidence of damage, or a real likelihood of damage, is required in a case where the parties are engaged in very different fields of commercial activity. The opponent relies partly on *Taittinger v Allbev*<sup>5</sup> as support for the proposition that a loss of exclusivity may constitute a head of damage under the law of passing off. I accept that, but the question of damage only arises if use of the offending mark constitutes a misrepresentation. Consequently, my finding that there would be no misrepresentation is fatal to the opponent's case under s.5(4)(a).

35. The ground of opposition under s.5(4)(a) therefore fails.

### **The section 5(3) ground of opposition**

36. Section 5(3) states:

“(3) A trade mark which-

(a) 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 European Union trade mark or international trade mark (EC), in the European Union) 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.”

37. I am surprised that the applicant put the opponent to proof of use of the earlier KRUG marks in relation to Champagne. I would have thought that it would have been obvious that such established marks are in use in the UK. However, as the

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<sup>4</sup> [1984] RPC 501

<sup>5</sup> [1993] FSR 641

opponent had to substantiate its claim as to the extent of the mark's reputation in any event, nothing appears to turn on the applicant's request for proof of use. I find that the earlier marks have been put to genuine use in the UK (or EU in the case of the EU trade mark) in relation to Champagne.

38. The relevant case law can be found in the following judgments of the Court of Justice of the European Union ("the CJEU"): 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 C-487/07, *L'Oreal v Bellure*, Case C-487/07 and Case C-323/09, *Marks and Spencer v Interflora*. 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) It is necessary 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.

(d) Whether such a link exists must be assessed globally taking account of all relevant factors, including the degree of similarity between the respective marks and between the 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

(e) Where a link is established, the owner of the earlier mark must also establish the existence of one or more of the types of injury set out in the section, or there is 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 relevant factors; *Intel*, paragraph 79.

(f) Detriment to the distinctive character of the earlier mark occurs when the mark's ability to identify the goods/services for which it is registered is weakened as a result of the use of the later mark, and requires evidence of a change in the economic behaviour of the average consumer of the goods/services for which the earlier mark is registered, or a serious risk that this will happen in future; *Intel, paragraphs 76 and 77*.

(g) The more unique the earlier mark appears, the greater the likelihood that the use of a later identical or similar mark will be detrimental to its distinctive character; *Intel, paragraph 74*.

(h) Detriment to the reputation of the earlier mark is caused when goods or services for which the later mark is used may be perceived by the public in such a way that the power of attraction of the earlier mark is reduced, and occurs particularly where the goods or services offered under the later mark have a characteristic or quality which is liable to have a negative impact of the earlier mark; *L'Oreal v Bellure NV, paragraph 40*.

(i) The advantage arising from the use by a third party of a sign similar to a mark with a reputation is an unfair advantage where it seeks to ride on the coat-tails of the senior mark in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image. This 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 (*Marks and Spencer v Interflora, paragraph 74 and the court's answer to question 1 in L'Oreal v Bellure*).

### Reputation

39. The applicant submits that the opponent's mark has only a tiny share of the total Champagne market in the UK/EU. Therefore, it lacks the necessary reputation to

found a s.5(3) case. The opponent points to the length of its trade in Champagnes under the KRUG mark, the mark's reputation as a prestige Champagne, and the evidence of Mr Rixon and Mr Jerrome as to standing of the mark in the trade.

40. The reputation of KRUG Champagne appears to be greater than would be expected based purely on the modest volume of sales. This is because the mark is associated with a prestige product. The mark's reputation would be best known to wine enthusiasts and connoisseurs. For example, the sort of buyers who read *Wine Spectator*. However, the reputation of KRUG Champagne is likely to go wider than this. I note that shortly before the relevant date *The Independent* newspaper included KRUG in its list of top 10 Champagnes and described it as being "*simply the best*". This sort of recognition is likely to go wider than just connoisseurs of Champagnes. As I noted earlier, marks associated with luxury products of exceptional quality are likely to be known to many who aspire to enjoy them, and not just to those who actually have. This is particularly so where the mark has been present on the market for around 170 years.

41. I find that KRUG had a substantial reputation as a brand of Champagne at the relevant date.

#### Link

42. My finding that the respective goods are sufficiently dissimilar that there is no likelihood of misrepresentation does not mean that there can be no 'link' between the marks for the purposes of s.5(3).<sup>6</sup>

43. As I noted above, my assessment of whether the public will make the required mental 'link' between the marks must take account of all relevant factors. The factors identified in *Intel* are:

*The degree of similarity between the conflicting marks*

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<sup>6</sup> See, by analogy, *Intra-Press SAS v OHIM*,<sup>6</sup> CJEU (at paragraph 72 of the judgment).

The marks are effectively identical.

*The nature of the goods or services for which the conflicting marks are registered, or proposed to be registered, including the degree of closeness or dissimilarity between those goods or services, and the relevant section of the public*

The goods at issue are wholly dissimilar. The applicant's goods are likely to be selected with at least a normal degree of attention. As I have already noted, the relevant section of the public for the opponent's goods is likely to be composed mainly of the Champagne drinkers amongst the general public. The relevant public for the applicant's goods is likely to be made up of members of the general public with an interest in sporting or exercise equipment, or buying a bicycle for a child. There is therefore likely to be a significant overlap between the relevant public for the parties' goods.

*The strength of the earlier mark's reputation*

The KRUG mark has a substantial reputation for prestige Champagne.

*The degree of the earlier mark's distinctive character, whether inherent or acquired through use*

The earlier mark is inherently highly distinctive. It appears to be a foreign word, but it would be meaningless to the relevant public in the UK. Use of the mark has turned it into a well-known mark for Champagne. The opponent says that the mark is unique across the whole of the UK market. There is limited evidence to support this claim, but there is no evidence to contradict it. I am therefore prepared to accept it as fact.<sup>7</sup>

*The existence of the likelihood of confusion on the part of the public*

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<sup>7</sup> I have not overlooked the reference to Krug Bäumen, a long established watch maker, in the opponent's evidence. However, the website in question is a .com domain. There is no evidence that this mark is in use in the UK.

There is no likelihood of confusion on the part of the public

44. Taking all these factors together, I find that a significant proportion of consumers of the goods sold under the contested mark would make a mental link with the opponent's KRUG mark.

#### Unfair advantage

45. In *Jack Wills Limited v House of Fraser (Stores) Limited*,<sup>8</sup> Arnold J. considered the earlier case law and concluded that:

“80. The arguments in the present case give rise to two questions with regard to taking unfair advantage. The first concerns the relevance of the defendant's intention. It is clear both from the wording of Article 5(2) of the Directive and Article 9(1)(c) of the Regulation and from the case law of the Court of Justice interpreting these provisions that this aspect of the legislation is directed at a particular form of unfair competition. It is also clear from the case law both of the Court of Justice and of the Court of Appeal that the defendant's conduct is most likely to be regarded as unfair where he intends to benefit from the reputation and goodwill of the trade mark. In my judgment, however, there is nothing in the case law to preclude the court from concluding in an appropriate case that the use of a sign the objective effect of which is to enable the defendant to benefit from the reputation and goodwill of the trade mark amounts to unfair advantage even if it is not proved that the defendant subjectively intended to exploit that reputation and goodwill.”

46. Consequently, it is sufficient if the objective effect of the use of the contested mark would be to take unfair advantage of the reputation and distinctive character of the earlier marks, whether or not that is the applicant's subjective intention.

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<sup>8</sup> [2014] EWHC 110 (Ch)

47. The opponent is not required to produce evidence showing that use of the contested mark has resulted in the applicant receiving an unfair advantage. In *Aktieselskabet af 21. november 2001 v OHIM*,<sup>9</sup> the CJEU stated that:

“22. With regard to the appellant’s argument concerning the standard of proof required of the existence of unfair advantage taken of the repute of the earlier mark, it must be noted that it is not necessary to demonstrate actual and present injury to an earlier mark; it is sufficient that evidence be produced enabling it to be concluded *prima facie* that there is a risk, which is not hypothetical, of unfair advantage or detriment in the future (see, by analogy, concerning the provisions of Article 4(4)(a) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1), Case C-252/07 Intel Corporation [2008] ECR I-0000, paragraph 38).

23. In the present case, it is clear that the Court of First Instance, in paragraph 67 of the judgment under appeal, properly established the existence of an unfair advantage within the meaning of Article 8(5) of Regulation No 40/94 in correctly considering that it had available to it evidence enabling it to conclude *prima facie* that there was a risk, which was not hypothetical, of unfair advantage in the future.”

48. The opponent submits that consumers’ mental association between the contested mark and KRUG Champagne will result in the earlier mark’s reputation as a brand of exceptional prestige and quality, and as an ‘aspirational brand’, transferring to the contested mark, thereby making it easier to sell exercise and sporting equipment etc. under that mark. The opponent says that this is unfair because the applicant will not pay any financial compensation to the opponent for the marketing benefit gained through this positive branding association.

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<sup>9</sup> Case C-197/07P



49. The applicant denies that there will be any such benefit, pointing again to the dissimilarity between the goods and its assessment of the relative weakness of the reputation of KRUG Champagne.

50. I prefer the opponent's submission. In effect, the opponent's complaint is that the applicant is taking unfair advantage of the communication and quality functions of the KRUG trade mark.<sup>10</sup> The opponent claims that the earlier mark communicates a message of prestige, luxury and exclusiveness which will resonate with a section of the public wishing to associate itself with these values. It is this message of prestige, luxury and exclusiveness that will, according to the opponent, attach itself to the applicant's mark and to the goods sold under it. I agree. I find that *prima facie* there is a risk, which is not hypothetical, that use of the contested mark will make it easier for the applicant to sell goods in the nature of exercise equipment and sporting goods to a section of the relevant public. Therefore, use of the contested mark is likely to affect the economic behaviour of such consumers in the applicant's favour.

51. My earlier finding that use of the contested mark will not have an adverse effect on the earlier marks' essential function, i.e. that the public will not be deceived into believing that the opponent is responsible for the quality of the applicant's goods, does not prevent or conflict with the finding in the previous paragraph.

#### Detriment to the distinctive character of the earlier mark

52. The opponent submits that use of the contested mark will be detrimental to the distinctive character of the KRUG Champagne mark because KRUG will no longer arouse immediate association with the opponent's mark. Instead KRUG will create an association with either the opponent's goods or the applicant's goods. Therefore, the distinctive character of KRUG will be blurred.

53. In *Environmental Manufacturing LLP v OHIM*,<sup>11</sup> the CJEU stated that:

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<sup>10</sup> See *L'Oreal v Bellure*, Case C-487/07, at paragraph 58 of the judgment.

<sup>11</sup> Case C-383/12P

“34. According to the Court’s case-law, proof that the use of the later mark is, or would be, detrimental to the distinctive character of the earlier mark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered, consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future (*Intel Corporation*, paragraphs 77 and 81, and also paragraph 6 of the operative part of the judgment).

35. Admittedly, paragraph 77 of the *Intel Corporation* judgment, which begins with the words ‘[i]t follows that’, immediately follows the assessment of the weakening of the ability to identify and the dispersion of the identity of the earlier mark; it could thus be considered to be merely an explanation of the previous paragraph. However, the same wording, reproduced in paragraph 81 and in the operative part of that judgment, is autonomous. The fact that it appears in the operative part of the judgment makes its importance clear.

36. The wording of the above case-law is explicit. It follows that, without adducing evidence that that condition is met, the detriment or the risk of detriment to the distinctive character of the earlier mark provided for in Article 8(5) of Regulation No 207/2009 cannot be established.

37. The concept of ‘change in the economic behaviour of the average consumer’ lays down an objective condition. That change cannot be deduced solely from subjective elements such as consumers’ perceptions. The mere fact that consumers note the presence of a new sign similar to an earlier sign is not sufficient of itself to establish the existence of a detriment or a risk of detriment to the distinctive character of the earlier mark within the meaning of Article 8(5) of Regulation No 207/2009, in as much as that similarity does not cause any confusion in their minds.”

54. There is no evidence from which it could reasonably be inferred that use of the contested mark will make any difference to the economic behaviour of consumers or potential consumers of the opponent’s Champagne. Consequently, this ground fails.

### Detriment to the repute of the earlier mark

55. The opponent submits that there is a risk that use of the contested mark will result in damage to the reputation of the earlier mark. In particular, that use of the contested mark in relation to exercise equipment, sporting goods etc. could lead to the “dumbing down” of the earlier mark’s aura of luxury and prestige.

56. I see nothing in the inherent nature of exercise equipment, sporting goods and bicycles which is likely to tarnish the reputation of the opponent’s KRUG mark. In fact, the appeal of goods of this kind to socially aspirational consumers, many of whom are also likely to be, at least, potential consumers of Champagnes, is one of the factors which supports my finding of unfair advantage.

57. If the opponent’s submission goes to the possible poor quality of the applicant’s goods reflecting badly on the reputation of the KRUG Champagne mark, then I reject this as pure speculation.<sup>12</sup>

58. I Consequently, this ground also fails.

### Due cause

59. The applicant appears to argue that it has due cause to use the contested mark because of a connection between the name KRUG and certain fictional or mythical characters, such as SUPERMAN and THOR, who are known for their strength and power.

60. The opponent submits that the applicant has not shown any compulsion, necessity or right to use the contested mark. Therefore, it does not have due cause to do so.

61. In *Leidseplein Beheer BV v Red Bull*,<sup>13</sup> the CJEU held that:

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<sup>12</sup> See paragraphs 46 and 47 of the decision of Ms Anna Carboni as the Appointed Person in *Unite The Union v The Unite Group Plc*, Case BL O/219/13.

<sup>13</sup> Case C-65/12

“43. In a system for the protection of marks such as that adopted, on the basis of Directive 89/104, by the Benelux Convention, however, the interests of a third party in using, in the course of trade, a sign similar to a mark with a reputation must be considered, in the context of Article 5(2) of that directive, in the light of the possibility for the user of that sign to claim ‘due cause’.

44. Where the proprietor of the mark with a reputation has demonstrated the existence of one of the forms of injury referred to in Article 5(2) of Directive 89/104 and, in particular, has shown that unfair advantage has been taken of the distinctive character or the repute of that mark, the onus is on the third party using a sign similar to the mark with a reputation to establish that he has due cause for using such a sign (see, by analogy, Case C-252/07 *Intel Corporation* [2008] ECR I-8823, paragraph 39).

45. It follows that the concept of ‘due cause’ may not only include objectively overriding reasons but may also relate to the subjective interests of a third party using a sign which is identical or similar to the mark with a reputation.”

62. The applicant does not therefore have to show that there is a compulsion or necessity to use the mark. Nevertheless, it must show that it has a clear and legitimate interest in doing so.

63. I do not understand the applicant’s argument about KRUG being connected with SUPERMAN or THOR. The contested mark is not SUPERMAN or THOR. Therefore, although I follow the connection between exercise and sporting equipment and physical strength and power, the supposed connection between KRUG and strength and power is not clear. In the light of the opponent’s evidence that the applicant has previously registered the mark for domestic machines, such as dishwashers, which have no obvious connection with physical strength or power, the applicant’s explanation is even less convincing. The applicant has plainly not shown that it has due cause to use the contested mark. It follows that the s.5(3) ground succeeds on the basis that use of the contested mark would, without due cause, take unfair advantage of the reputation of the earlier mark.

## **Overall outcome**

64. The opposition under s.5(4)(a) fails.

65. The opposition under s.5(3) succeeds.

66. Subject to appeal, the application will be refused.

## **Costs**

67. The opposition has succeeded, the opponent is therefore entitled to a contribution towards its costs. I will therefore order Versatile Solutions (Hong Kong) Limited to make a contribution towards the opponent's costs. I order Versatile Solutions (Hong Kong) Limited to pay MHCS the sum of £1550.

This is made up of:

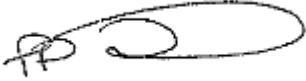
£550 for filing the notice of opposition (including the official filing fee) and considering the counterstatement;

£750 for filing evidence and considering the applicant's evidence;

£250 for filing written submissions in lieu of a hearing.

68. Subject to appeal, the above sum should be paid within 14 days of the end of the period allowed for appeal or, if there is an appeal, within 14 days of the conclusion of the appeal proceedings.

**Dated this 15<sup>th</sup> day of February 2017**

A handwritten signature in black ink, appearing to be 'Allan James', written in a cursive style.

**Allan James**  
**For the Registrar**