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Pick your battles! Localised goodwill defeats later UKTM

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Caspian Pizza v Shah [2017] EWCA Civ 1874

When two pizza businesses (previously each party to a franchise agreement) recently went head to head over the right to use the name CASPIAN, the outcome was far from what the claimant had expected.

Not only were the proceedings brought against the defendant for trade mark infringement and passing off dismissed, but the trade mark registration relied upon by the claimant was also declared invalid on the basis that the defendant had earlier goodwill in the mark in another localised part of the country.

The claimant set up and operated a chain of pizza restaurants in Birmingham (only) from 1991 and had registered the word mark CASPIAN in 2005 ('the UKTM'). The defendant later launched CASPIAN pizza restaurants within the Worcester area (only) in 2002 and continued to use the name even after the franchise agreement between the parties was terminated in 2013.

At first instance, the Court found that, at the filing date of the UKTM, the defendant had sufficient goodwill in Worcester in the name CASPIAN to establish a claim for passing off. Accordingly, the defendant would have been entitled to oppose and prevent the registration of the UKTM under section 5(4)(a) of the Trade Marks Act 1994 ('the Act'). On this basis, the registration was declared invalid.

The claimant appealed to the Court of Appeal against the invalidation on the grounds that, whilst mere localised goodwill might well be sufficient to establish a defence for trade mark infringement under section 11(3) of the Act, a declaration for invalidity under section 5(4)(a) of the Act required the existence of goodwill either throughout, or in a significant part of, the UK.

However, the Court of Appeal did not accept this and agreed with a UKIPO Hearing Officer decision in *SWORDERS* (case O-212/06). Here it had been found that the wording of s.5(4)(a) requires an opponent to have established sufficient goodwill in an identifiable geographical area in order to qualify for passing off protection. The Hearing Officer also noted that a trade mark application operates as a ‘notional extension’ of the use of the mark over the whole country, which would trigger a claim for passing off from an earlier mark holder in a specific locality. Earlier use of the mark, therefore, does not have to have been throughout the UK or in a geographical area that overlaps with the place where the applicant for registration carries on its business.

It is evident that the above reasoning followed in this decision, which also endorsed the earlier first instance decision by Judge Hacon, is now the preferred position on this point of law over the previously conflicting decision of Judge Birss in *Redd Solicitors LLP v Red Legal Ltd and Another* [2012] EWPC 54; [2013] E.T.M.R. 13.

Take home points

- Unlike EU marks, under UK law there is an option to geographically limit a UK trade mark under section 13 of the Trade Marks Act 1994. However, this is akin to a partial abandonment and will only take effect from the date that it is requested, hence the limitation cannot be backdated to the filing date if it is requested post registration. It follows that this mechanism cannot be used to ‘save’ a registration under attack, as in this case.
- It is not necessary to demonstrate extensive or nationwide goodwill in order to succeed in an invalidation action against a UK trade mark under section 5(4)(a) of the Trade Marks Act 1994. On the contrary, any goodwill sufficient to form the basis of a successful passing-off action (anywhere in the UK) will suffice, including mere localised goodwill. Given the requirement for “more than mere local significance” in corresponding EUTM Article 8(4) actions, we would speculate that the defendant would not have enjoyed the same successful outcome if the claimant had been relying upon an EUTM.
- Pick your battles! Trade mark owners need to research and assess all the surrounding facts of a matter before threatening or issuing proceedings for trade mark infringement and/or passing-off against parties that may have otherwise acquired localised goodwill in a mark. In this case, the claimant would have been better off trying to reach a localised use agreement with the defendant.

This decision will certainly provide comfort to smaller businesses that have been operating within

a particular locality and can establish corresponding localised goodwill. Not only can they be confident that they are likely to be able to fend off any claims for trade mark infringement in respect of later registrations for similar marks, but also that case law is now more firmly on their side if they wish to seek invalidation of those later registrations. From the other perspective, it may be prudent for trade mark applicants aware of an earlier localised right of this nature to consider requesting a geographical limitation (ideally at the time of filing) in order to prevent any overlap with, or later avenue of attack from, the identified earlier local right.

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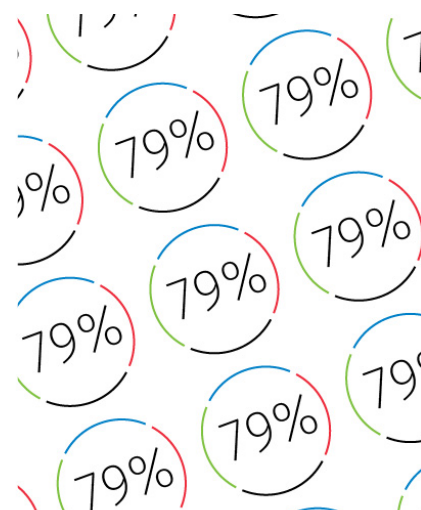
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