

Neutral Citation Number: [2022] EWHC 951 (IPEC)

CLAIM NUMBER IP-2020-000053

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
INTELLECTUAL PROPERTY ENTERPRISE COURT**

Royal Courts of Justice
Rolls Building, London, EC4 1NL

Date: 27/04/2022

Before:
MISS RECORDER AMANDA MICHAELS

Between:

LUEN FAT METAL AND PLASTIC MANUFACTORY CO LTD

Claimant

-and-

FUNKO UK, LTD

Defendant

JONATHAN GALE (instructed by **Excello Law Limited**) appeared on behalf of the
Claimant

VICTORIA JONES (instructed by **Burges Salmon LLP**) appeared on behalf of the
Defendant

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Hearing date: 17 January 2022

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Approved Judgment

Covid-19 Protocol: This judgment was handed down remotely by circulation to the parties' representatives by email and released to BAILII. The date and time for hand-down is deemed to be 10.30 a.m. on Wednesday 27th April 2022.

Miss Recorder Amanda Michaels

1. This is the judgment following the trial of liability only of a claim for infringement of a UK registered trade mark, and an equivalent EU trade mark, the claim having been issued before the end of the transition period for the departure of the UK from the EU. There was no counterclaim, and the validity of the marks was not in issue.

Background

2. The Claimant is a manufacturer of toys, which have been imported into the UK since around 1989, and its sole agent and distributor for the UK and Ireland is Padgett Bros A to Z Ltd (“Padgett”). The Claimant is the proprietor of UK registered trade mark No 2132000, registered with effect from May 1997 for a series of word marks: FUNTIME, FUN TIME and FUN-TIME. The specification covers games, toys and playthings, and electronic games in Class 28. It also owns a registered EU trade mark No 000806281, filed on 21 April 1998, which is just for the word FUNTIME, and is registered for the same specification of goods. That mark now has a UK registered equivalent, No 900806281.
3. The Defendant put the Claimant to proof of use of the Marks. No use was shown in relation to electronic games, but the Claimant relied upon use of the Mark in relation to toys and playthings (it is not altogether clear to me that it also claimed use on “games” but this distinction is of no relevance). The Claimant’s evidence showed use of the Marks in relation to and on the packaging of toys aimed predominantly at babies and toddlers, most of which are made of brightly coloured plastic, and include items such as rattles, shape-sorters, pull-along toys and an alphabet train. By way of example, the Claimant pointed to the popularity of its bright yellow pop-up “Farmyard Friends” toy, which is sold as suitable for toddlers of 18 months and upwards, and is clearly aimed at a child of about that age, with buttons and levers to push. See examples in Annex A.
4. The Claimant’s case was that its products are sold throughout the UK and Europe. Its evidence however concentrated upon the sales made through Padgett in the UK and Ireland, through toy retailers and a variety of high street outlets such as Morrisons, and TK Maxx. Sales are also made through Amazon.co.uk.

5. The Defendant's US parent company was described by Mr Oddie, the managing director of the Defendant, as one of the world's leading creators of licensed pop culture products. For convenience, I shall refer to the various companies in the group as "Funko." Funko takes intellectual property licences from rights owners, and makes and sells merchandise as spin offs from games, films and the like. For instance, it has a licence to produce Harry Potter merchandise. It sells a range of "Pop! Vinyl" figures, which are small plastic figures with an oversized square head depicting a character from a film, game, etc. Funko also sells action figures, which more accurately depict the characters, plush soft toys, and board games, as well as ranges of clothing, homeware, etc. Mr Oddie accepted that the pop vinyls and action figures are toys although some may also be classed as "collectibles."
6. The alleged infringements arise out of a licence granted to Funko in 2015 by Scottgames LLC, which owns the rights in the designs, copyright, characters, trade marks and other indicia associated with its "Five Nights at Freddy's" ("FNAF") video game franchise. The FNAF games are highly popular, and have been spun off into novels and short stories as well as merchandise. The Defendant accepted that the games are popular with young teenagers as well as adults. Mr Oddie's evidence was that they are not aimed at children under the age of 6, but have an age rating of 12, and may be played by some younger children.
7. The Claimant's counsel described FNAF as "a series of horror video games which might be said to invoke the 'evil toys come to life' trope." Mr Oddie of Funko described them as "fright video games ... intended to scare the player ..." In the first three games of the franchise, the player controls a security guard at "Freddy Fazbear's Pizza," who tries to avoid being attacked by various hostile animatronic characters including Freddy (a bear), Foxy, Chica and Bonnie. Different versions of the characters feature in the various games in the series. For instance, I was told that the third game features "Phantom Freddy" and "Phantom Foxy", the fourth, "Nightmare Freddy" and "Nightmare Foxy" and later games have "Rockstar Freddy", "Molten Freddy" and "Twisted Foxy." Numerous products have been produced by Funko under the licence from Scottgames, including pop vinyls of many of these characters.

8. This claim relates to characters from the fifth game in the FNAF series, the first iteration of which was launched in 2016, which is called “Five Nights at Freddy’s: Sister Location.” As the name suggests, the location of the action is different. This game features the characters “Funtime Freddy” and “Funtime Foxy.” A range of action figures, pop vinyl and plush toys which represent “Funtime Freddy” and “Funtime Foxy” were developed by Funko during 2017. These were sold in the UK by the Defendant and the Claimant complains that as they have the word Funtime on their packaging these goods infringe its Marks. Images of some of the Defendant’s goods are at Annex B to this judgment.
9. The Claimant wrote a letter of claim to the Defendant in September 2019 and issued these proceedings on 14 May 2020. In its Particulars of Claim it relied on all three heads of infringement of s10 of the Trade Marks Act 1994, and the equivalent provisions in Art. 9 of the Regulation in respect of its EU Mark.
10. In its Defence, the Defendant denied infringement. In particular, it said that the names “Funtime Freddy” and “Funtime Foxy” (“the Names”) were not used as a trade mark, but to designate the characters from the computer game. It also denied that there was any likelihood of confusion or any damage leading to infringement under s 10(3). The Defendant put the Claimant to proof of use of its Marks, albeit at paragraph 2 of the Defence it admitted that the Claimant had supplied toys and games aimed at the baby/toddler market in the UK under the Mark FUN TIME (that is, in the version consisting of two separate words).
11. On 23 April 2021, not long before the CMC, the Defendant told the Claimant that it had ceased to have any products in its control bearing the Names and gave an undertaking that it would not sell in the UK or the EU any toys, figures, or similar goods, bearing or under or containing the sign “FUNTIME” either as a stand-alone word or as part of the Names. It proposed that the proceedings be discontinued with no order as to costs.
12. The Defendant’s proposal was not accepted by the Claimant, and directions for this trial of liability were given on 5 May 2021. A list of issues was appended to HHJ Hacon’s CMC order, and I shall address the merits of the claim by reference to those issues.

The witnesses

13. For the Claimant, I heard evidence from Mr Alex Kenyon, a director of Padgett, as to the Claimant's business and use of the Marks in the UK. Mr Kenyon had a tendency to seek to add in additional evidence, for instance as to alleged detriment, and about the scope of the Claimant's UK sales, rather than answer the questions put to him, but seemed to me to be an honest witness. I also heard from Ms Vikki Garratt, a primary school headteacher, who gave evidence by video-link of some concerns which she had about the exposure of young children to FNAF. Again, I found her to be an honest witness, to the extent that her evidence was relevant to any matters I need to decide.

14. For the Defendant, I heard evidence from Ms Kalai Wineland, in-house counsel for Funko US, who gave evidence by video link, about the legal side of licensing, and from Mr Andrew Oddie of Funko UK who dealt with sales of the goods. I found both of them to be careful, honest and reliable witnesses.

Proof of use

15. The Particulars of Claim relied upon toys, games and playthings in the Claimant's specifications. No distinction was made between those three categories of goods, and the Particulars of Claim did not make it clear whether the Claimant was relying upon all of those goods (the reliance upon toys alone was express). I have mentioned, the Defendant had admitted use of FUN TIME in relation to toys and games aimed at the baby/toddler market in the UK. Nevertheless, the Defendant also expressly put the Claimant to proof of the extent of any use of the Marks, and submitted in its skeleton argument that use had only been proved in respect of "toys and playthings for babies and toddlers."

16. At trial, counsel for the Claimant submitted that the argument about the scope of the fair specification took the Claimant by surprise, as it raised an issue under section 11A of the Act which had not been foreshadowed by the pleadings. He said that the Defendant should not be permitted to run the point at trial, as it would have been necessary for the Claimant to adduce evidence about it. Counsel for the Defendant said that the point was clear from the Defence, whilst the inclusion in the List of Issues approved at the CMC of an issue as to proof of use could only have arisen in relation to section 11A. She also pointed out that the Claimant had responded in paragraph 2 of

the Reply to paragraph 2 of the Defence, saying that whilst its goods were primarily aimed at the baby and toddler market, it also produced toys for use by older children.

17. The Defendant expressly put the Claimant to proof of use of the kinds of goods sold, and its Reply pleaded relevant facts which it was for the Claimant to prove. The fact that there was an issue on this point was also clear from the CMC Order. I indicated at the opening of the trial that I might not shut out this line of argument, and it is my considered view that I should not do so. By the CMC Order, the statements of case were ordered to stand as evidence in chief, so that the claim in paragraph 2 of the Reply was in evidence, but it was unsupported by the witness statements or disclosure documents. Mr Kenyon accepted in his oral evidence that the catalogues in evidence showed toys for babies or toddlers, but added that perhaps 8% of the Claimant's goods were for older children. I was shown no documentary proof of this, nor any evidence as to the nature of any such goods. I ruled in the course of the trial that it was too late for the Claimant to apply to produce some documentary evidence of sales of goods aimed at children over 3 years old. Indeed, I note that in similar circumstances, the Claimant was not permitted to adduce additional evidence as to the acquired distinctiveness of the Marks in *Luen Fat Metal and Plastic Manufactory Ltd v Jacobs and Turner Limited* [2019] EWHC 118 (IPEC), see [10].

18. Section 11A provides:

11A Non-use as defence in infringement proceedings

(1) The proprietor of a trade mark is entitled to prohibit the use of a sign only to the extent that the registration of the trade mark is not liable to be revoked pursuant to section 46(1)(a) or (b) (revocation on basis of non-use) at the date the action for infringement is brought.

(2) Subsection (3) applies in relation to an action for infringement of a registered trade mark where the registration procedure for the trade mark was completed before the start of the period of five years ending with the date the action is brought.

(3) If the defendant so requests, the proprietor of the trade mark must furnish proof-

(a) that during the five-year period preceding the date the action for infringement is brought, the trade mark has been put to genuine use in the United Kingdom by or with the consent of the proprietor in relation to the goods and services for which it is registered and which are cited as justification for the action, or

(b) that there are proper reasons for non-use.

Article 127(3) EUTMR makes a similar provision for proof of use where no counterclaim for revocation is made.

19. The documents before me showed clear use of the UK Mark in the form “Fun Time” upon the packaging of the Claimant’s goods and it was not suggested that there was any real distinction between that form of the Mark and the others in the UK registration. I accept all such use as use of all of the Marks. The packaging of some of the goods sold to particular retailers was in some cases marked with the retailer’s name. It was unclear how many of the goods were sold in this way, but for example goods sold to Wilko were identified on invoices by reference to the Wilko name (e.g. “Wilko Play Spinning Horses”). Invoices and shipping documents did not use the Marks. However, Mr Kenyon said that all of the goods themselves bore the Mark moulded into the plastic. The moulded example in evidence again bore the Mark in the form “Fun Time” as well as (somewhat strangely given the Claimant’s name) the name Funtime Toy Co Ltd under the rubric “Made in China.” There was in my view ample evidence of the importation, advertisement and sale of goods in the UK and Ireland, including invoices to large UK retailers, and the Defendant sensibly accepted that use had been proved in the UK, subject to the question of what was a fair specification.
20. I am satisfied that requiring a claimant to prove use of the mark relied upon, even where there is no counterclaim, brings into play principles equivalent to those applicable to a revocation application, in which it is well-established that it is necessary to reach a fair specification of the goods for which use has been proved to the necessary standard. The burden of proof falls on the proprietor, who should provide solid and specific evidence which suffices for the evaluation of the scope of protection to which the proprietor is legitimately entitled.
21. It is necessary to identify and define the particular categories of goods realistically exemplified by the goods for which use has been shown. The resulting (notional) specification must accord with the perceptions of the average consumer of the goods concerned. In some cases, it may be possible to identify subcategories of goods or services within a general term which are capable of being viewed independently. So, for example, Ms Jones referred me to BL O/0335/10 *Gima*, in which it was held that

proof of use on salami and sausages (found individually in the specification) did not prove use of the additional wider term, meat. However, protection must not be cut down to those precise goods or services in relation to which the mark has been used if that would strip the proprietor of protection for all goods or services which the average consumer would consider belong to the same group or category (see *Maier v Asos* [2015] EWCA Civ 220 [2015] F.S.R. 20 at [182]). As a result, the fair specification may be wider than the actual use, if that is how the average consumer would fairly describe the goods in relation to which use has been proved.

22. Toys, games and playthings are terms which are part of the class heading for Class 28, and, as Ms Jones pointed out, those terms encompass a huge range of goods, some of which are aimed not at children but at adults, and vice versa, many of which would not be suitable for very young children. In all the circumstances, the Claimant has certainly not proved use across the whole spectrum of its specification, but taking into account the admission in paragraph 2 of the Defence, and the evidence before me, I am satisfied that a fair way to describe the goods upon which use has been shown, taking into account how the average consumer might fairly describe them, is “toys, games and playthings for babies and pre-school children.”

Average consumer

23. An “average consumer” includes any class of consumer to whom the guarantee of origin is directed and who would be likely to rely on it, for example in making a decision to buy or use the goods. The Claimant submits that the average consumer for its goods is a parent or relative buying toys for a child. Mr Gale suggested that such consumers may often be in a hurry, and have a low degree of attentiveness to brand. The Defendant submitted that purchasers of its goods encompassed a wider category of persons, also including adults or teenagers buying for themselves. It also submitted that the average consumer of both parties’ goods would be likely to pay a high degree of attention, as when purchasing toys for babies or toddlers care needs to be taken to ensure the product is suitable, and when buying the Defendant’s goods care would be taken as they are collectible items.

24. In my judgment, the average consumer of the Claimant’s moderately priced goods is indeed an average member of the public purchasing a toy for a baby or young child.

Such persons may be the same as those purchasing the Defendant's goods, whether purchasing for themselves or others, and whilst some at least of the Defendant's goods may differ in nature to the Claimant's goods (as discussed below), and some may be more expensive than the Claimant's toys, the range of consumers overlaps. In both cases, consumers are likely to pay a medium level of attention to the purchase. In my judgment, the majority of purchasers of toys etc for babies and children are likely at least to assure themselves that the product is suited to the age of the child, even where it is a low cost item. Consumers of more expensive "collectibles" may, however, pay greater attention to the purchase.

Distinctiveness of the Marks

25. The Claimant accepted that FUNTIME is a combination of two short words which make an indirect allusion to a characteristic of the goods. The Defendant submitted that the words denote a particular quality or characteristic of the goods: the toys will provide "a fun time." Mr Kenyon's evidence was that the UK Mark was registered only after the Claimant provided proof of use to the UKIPO, suggesting that it considered it to be inherently unregistrable. He exhibited a statutory declaration made in 1999 in relation to the EUTM which indicates that the EUIPO also required evidence of use before permitting the registration of the EUTM.
26. The Claimant submitted that the Mark FUNTIME is highly distinctive, and pointed to the use of the same mark by an unrelated Defendant in *Luen Fat Metal and Plastic Manufactory Ltd v Jacobs and Turner Limited (supra)*. In that case there was a failed invalidity attack on the mark based on its alleged descriptiveness. Whilst the Claimant sought to rely upon the findings in that case, it does not seem to me that they are relevant to the question of the inherent distinctiveness as the Defendant here has not challenged the validity of the Marks. In my view, the inherent distinctiveness of the Marks in all three forms is low. However, as the validity of the Claimant's registrations are not challenged, I must accept that the Marks have at least the minimal degree of distinctive character necessary to have achieved registration (Case C-196/11 P *Formula One Licensing BV v OHIM*, EU:C:2012:314) albeit it seems that they achieved that registration upon proof of some acquired distinctiveness.

27. The Claimant submitted that I should bear in mind the finding in the earlier *Luen Fat* case (*supra*) that the UK mark had acquired enhanced distinctiveness through use. The Defendant said that I should not do so because the evidence in the two cases appears to have been different. I have not seen that evidence but agree that there do appear to have been some differences in the evidence in the two cases. In particular, I can see no discussion in the earlier judgment of the issue of goods sold under retailers' own brands, which seems to me to be of significance. I must therefore form my own conclusions in the light of the evidence before me.
28. The Claimant pleaded that the Marks had acquired a high level of enhanced distinctiveness through the use made of them. Again, there were some problems with the evidence of use upon which that claim was based. In assessing whether a trade mark has acquired a distinctive character the principles are well-settled. The court "must make an overall assessment of the relevant evidence, which in addition to the nature of the mark may include (i) the market share held by goods bearing the mark, (ii) how intensive, geographically widespread and long-standing the use of the mark has been, (iii) the amount invested by the proprietor in promoting the mark, (iv) the proportion of the relevant class of persons who, because of the mark, identify the goods or services as emanating from the proprietor, (v) evidence from trade and professional associations and (vi) ... an opinion poll. If the relevant class of persons, or at least a significant proportion of them, identifies goods or services as originating from a particular undertaking because of the trade mark, it has acquired a distinctive character." (*per* Arnold J, as he then was, in *W3 v easyGroup Ltd* [2018] EWHC 7 (Ch), [2018] F.S.R. 16 at [160]).
29. Mr Kenyon gave evidence of the importation and sale by Padgett of millions of toys. He set out the figures in various ways, and over various periods, which I am afraid I found a little confusing, but Ms Jones accepted that Padgett had sold some 5 million toys since 2003, so the average number of sales over each year of that period is around 278,000. I was provided with no evidence as to the significance of those unit sales in terms of market share in the UK or elsewhere, but they seem to me likely to represent a small share of the relevant toy market in the UK and Ireland. Moreover, those sales figures related to both the UK and Ireland, without it being possible to know how many were sold in each jurisdiction. There was scant evidence of sales in other EU member

states, just a few invoices or shipping documents addressed to customers in other states, with no evidence of the scale or duration of any such sales or of the manner (if any) of use of the Marks.

30. I have already mentioned sales of the Claimant's goods in packaging bearing retailers' own brands rather than the Mark. No evidence was given as to the proportion of the Claimant's goods sold in this way. Here, whilst goods sold under the retailers' own brands bore the FUNTIME Mark moulded into them, it was not clear to me whether the Mark would have been visible at the point of sale, nor how prominently it would have been displayed on the various goods.
31. It is possible for a mark to acquire distinctiveness when it is used alongside another mark (see for example *Société des produits Nestlé SA v Cadbury UK Ltd* [2017] EWCA Civ 358; [2017] F.S.R. 34 at [82]-[84]) but whether it has done so must depend upon all the circumstances of the case. There was no evidence before me indicating what a consumer seeing the moulded mark would perceive it to mean, when the packaging at least bore a retailer's mark, but perhaps it would be seen as indicating the manufacturer of the goods. Where the goods were sold bearing a retailer's name, I think it more likely than not that despite the moulded mark the goods would not have enhanced the distinctiveness of the Marks as indicating the origin of the goods. I think it more likely that consumers would tend to rely upon the retailer's name in making, confirming or repeating transactions.
32. The Claimant's goods had been advertised in the trade press and at trade shows, but such use would not have been likely to affect the distinctiveness of the Marks to the average retail consumer (as opposed to members of the trade). There was limited evidence of other marketing, and none of marketing spend. The Defendant pointed out that the Claimant's Facebook page had only 10 likes as at 15 November 2021 despite having been active since 2010. On the other hand, there was evidence that the Claimant's goods have been marketed on Amazon for a number of years, and the Claimant pointed to the success of its Farmyard Friends toy, which was ranked at 26 under Toys and Games in 2020 (although that is well after the date when the Defendant commenced its allegedly infringing activities).

33. All in all, the Claimant's evidence in my view fell short of proving that the Marks had acquired a significant level of enhanced distinctiveness. On the basis of the evidence before me, I conclude that the use made of them would have enhanced the distinctiveness of the UK Mark to a limited extent, but I am unable to find that there was sufficient use to enhance the distinctiveness of the EUTM.

Infringement

34. For its case under sub-section 10(1), the Claimant had to establish that the Defendant had used a sign identical to its Marks. This requires identification of "the Defendant's sign" (per Jacob LJ in *Reed Executive v Reed Business Information* [2004] EWCA Civ 159, [2004] R.P.C. 40 at [33].) The Claimant submitted that the Defendant's consistent use of "Funtime" as part of the Names would tend to result in the 'sign' being perceived by the average consumer as "Funtime". I cannot accept that submission. Nor do I accept that the use of the name Funtime alone in a single email passing between those responsible for developing the Defendant's FNAF range shows that Funtime is the more distinctive part of the Names. This was just a convenient shorthand, to distinguish this model from others. In my judgment, the signs used by the Defendant would not be dissected by the average consumer in that manner, and would be perceived as the whole of the Names "Funtime Freddie" and "Funtime Foxy." However often they are used, the signs remain composed of two words, with Freddie and Foxy having a significant identifying role in the Name. Applying the test laid down in *LTJ Diffusion v Sadas* [2003] FSR 34 and discussed in *Reed* at [25]-[26] and [36]-[39], they are not identical to any of the Marks.

35. As a result, the case based upon sub-section 10(1) of the Act fails.

36. The Court's approach to infringement claims pursuant to s 10(2) is well established and is as set out by the Court of Appeal in *Comic Enterprises v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41, [2016] ETMR 22 at [26]-[34]. This identifies at [28] the conditions which must be satisfied in order to find infringement: the Claimant must establish (i) use of a sign which is identical or similar to the Marks; (ii) in the course of trade; (iii) without consent; (iv) in relation to goods which are identical or similar to those for which the Marks are registered; and (v) the use of the sign is liable to affect the functions of the trade mark. It is necessary to consider only points (i), (iv) and (v).

The Defendant accepted that where there is a likelihood of confusion that necessarily entails an effect on the origin function of the mark.

37. As to the first requirement, the Defendant denied in the Defence that the Names were similar to the Marks. Ms Jones' submissions at trial were more nuanced: she said that any visual or aural similarity was offset by the conceptual dissimilarity between the Marks and the Names, and said that the coincidence of the descriptive element 'Funtime' was insufficient to establish similarity. Each of the Names must be considered as a whole. The Names comprise the whole of the Marks (in the single word form, at least), and taking into account the additional name 'Freddy' or 'Foxy' I find there to be a medium level of visual and aural similarity between them. It does not seem to me that a consumer would ignore 'Funtime' in the Names because it would be seen as purely descriptive. Equally, it does not seem to me that adding 'Freddy' or 'Foxy' leads to a conceptual dissonance between the Marks and the Names although it adds a further concept to that of the Mark. Overall, I find that the Names are similar to the Marks to a medium degree.
38. The Claimant submitted that all of the Defendant's goods were toys, and so identical to its specification. That submission needs some adjustment in light of my findings on the fair specification of the Marks, but many of the Claimant's points on identity are also relevant to the question of similarity. The Claimant pointed to the fact that the Defendant's goods are sold in toy stores, and are sold on Amazon's Toys and Games pages, and by Tesco in its toy department, and it exhibits its goods at toy fairs. Initially, the Defendant denied that any of its pop vinyl figures or action figures fell within the proper specification for the Marks, indeed it denied that they were toys at all, identifying them as 'collectibles.'
39. Some of the Defendant's packaging, especially for boxed sets of figures, refers to the goods as collectible items, but it does not seem to me that this means that the goods, or at least some of them, are not also properly classed as toys. Mr Oddie willingly accepted this in his oral evidence. It does not, however, seem to me that the pop vinyl figures or action figures are toys designed for babies or pre-school children. The labelling suggests they are not appropriate (or safe) for children under 3, doubtless because they contain small parts, others are recommended for ages 14-18. Further, the nature and

design of the Defendant's figures is such that, in my view, the average consumer would be unlikely to think them suitable for or attractive to a very young child. On the other hand, there was some evidence that they might be bought for children under the age of 14, such as Amazon reviews relating to some 10 year olds' reaction to the goods. In my judgment, these figures are not identical goods to toys etc for babies and pre-school children. However, they are toys for older children. They are sold in the same outlets as the Claimant's goods. I conclude that they are similar goods to toys etc for babies and pre-school children.

40. The Defendant has also produced plush toys of the characters, some sold individually and some sold in sets of FNAF characters. These seem to me to be identical goods to toys etc for babies and pre-school children. However, the position as to the labelling of the plush toys produced by Funko was not clear. The Defendant denied that its labelling of Funtime Freddy/Foxy plush toys used the Names and Ms Wineland said any use on the packaging was added by the retailer, for which it was not responsible. The Claimant produced photographs of plush toys in plastic bags, which had the Funtime names as well as a bar code on them. In cross-examination, Mr Oddie was not sure how this had happened; he thought this might have been done by the retailer, although he also thought it possible that in some cases the soft toys would have been labelled with the Names by Funko. However, he thought that plush toys sold in assortments would not have been labelled as Funtime, as they would include a variety of FNAF characters. I was provided with a number of Funtime Freddy/Foxy plush toys. The sole swing tag provided to me was in the form shown in Annex B. This did not have the Funtime name on it. The sewn in labels again referred to FNAF and Sister Location but not to Funtime.
41. The list of conditions set out in *Comic Enterprises (supra)* does not include a requirement that the alleged infringing use be trade mark use. However, the CJEU held that use "in relation to" goods for condition (v) means use "for the purpose of distinguishing" the goods as such so that to infringe the use in relation to goods must be use for the purposes of distinguishing the goods as originating from a particular undertaking. Arnold J in *Frank Industries v Nike Retail* [2018] EWHC 1893 (Ch), [2018] FSR 35 at [90] said:

"It appears from the CJEU's judgment in *Holterhoff v Freiesleben* (2/00) [2002] E.C.R. I-4210, particularly when read in the light of its decision in *Arsenal Football*

Club v Reed (C-206/01) [2002] E.C.R. I-10273, that purely descriptive use of a sign does not amount to use of a sign “in relation to” goods or services. On the other hand, it is clear from the decision of the CJEU in *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH (C-100/02)* [2004] E.C.R. I-691 that a sign may be used in relation to goods or services even though it is an indication concerning a characteristic of the goods or services (in that case, their geographical origin). In other words, it is possible in some circumstances for a sign both to be descriptive and to function as a trade mark.”

42. Here, the Defendant said that its use of the Names was purely descriptive, to indicate which character from the FNAF/Sister Location game was represented by the figure, whilst the goods were clearly marked with the Funko brand and/or logo, and in some cases with the POP! logo. The Claimant, however, said that the Names were being used in effect as sub-brands, as in *Beauty Bay Ltd v Benefit Cosmetics Ltd* [2019] EWHC 1150 (Ch), [2019] ECC 28 (2019). There the Defendant’s main (and well-known) brand was Benefit, and the complaint was about its Beauty & The Bay range of goods, where the Claimant’s mark was Beauty Bay. It was held by the learned deputy judge at [35] that

“... BEAUTY & THE BAY is being used as a brand to differentiate this product from other Benefit products. The fact that Benefit takes measures to indicate to the public that it is a Benefit product does not detract from the function of BEAUTY & THE BAY as a “sub-brand”. It is very common to have a house brand together with a sub-brand. On the product itself the Benefit Logo is relatively small, and on the base, compared to BEAUTY & THE BAY which is in much larger font on the globe itself. The Benefit Product was advertised online by Debenhams, Boots and John Lewis as “Benefit – ‘Beauty and the Bay’ gift set”, “Benefit Beauty & The Bay Gift Set” and “Benefit Beauty & The Bay Makeup Gift Set” respectively.”

43. It does not seem to me that the facts of this case are closely comparable to those in Beauty Bay, and there is some force in the Defendant’s argument that the names reflect the characters from the FNAF game.
44. The Claimant referred me to *Hearst Holdings Inc v AVELA Inc* [2014] EWHC 439 (Ch), [2014] F.S.R. 36 in which Birss J (as he then was) held

“69. ... The question is always concerned with what the relevant sign signifies to the average consumer (or equivalent in a passing off case). When famous names or images are applied to merchandise they are not necessarily being used as indicators of origin of the goods at all. As Richard Arnold QC (as he then was) noted in *LINKIN PARK*, referring back to *TARZAN*, what better way is there to describe a poster depicting the band LINKIN PARK as a “LINKIN PARK poster”. So if one imagines a consumer asking in a shop for a LINKIN PARK poster, in that context the mark is being used descriptively and it would be difficult if not impossible for a trader to sell such a poster without calling it a LINKIN PARK poster.”

Whilst Mr Gale drew my attention to Birss J’s comments about possible distinctions between endorsement and merchandising, and between cases concerning real persons and invented characters, it does not seem to me that these are relevant here.

45. There was no suggestion in this case that the Names had been chosen (and then licensed) by the IP rights holder for any inappropriate purpose, or to take advantage of the Marks, and in my judgment the Defendant’s use of them was intended to be descriptive. However, what is relevant is how the Names appear to the average consumer, and whether the average consumer would find the Names purely descriptive.
46. In my view, consumers who are familiar with the FNAF/Sister Location games may well understand the use of the Names as descriptive, and see the Funko name and the name of the game as indicative of origin. The descriptive nature of the Name might be clear even to consumers not knowing the FNAF games if the goods were seen as part of a range of the Defendant’s products from different ranges displayed together instore, as was shown to be the case in a number of stores, such as Tesco. In such circumstances, it would be clear that the goods are all merchandise relating to different games or shows. However, I cannot safely conclude that all average consumers would recognise the Names as descriptive and referable to a game. The position might differ according to the sales channels concerned, for instance sales effected online would be likely to show items individually, which would not have the same impact. In my view, at least some consumers might see the Names as indications of origin, and used for the purpose of distinguishing the origin of the goods as much as the other names on the packaging. That would be especially likely in the case of consumers who are unfamiliar with the

FNAF games and characters. To such consumers, the Names would not appear purely descriptive, but might be taken as use as a sub-brand, with an origin function.

47. The general approach to be adopted to the assessment of the likelihood of confusion was set out in *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24; [2012] E.T.M.R. 17, [2012] F.S.R. 19 at [51]– [52], and reiterated and updated in *Comic Enterprises* (*supra*). I do not need to set out these well-established principles, which were not disputed. At [79] of *Comic Enterprises* Kitchin LJ (as he then was) added:

“... The comparison here is between the sign and the mark. The court must identify the sign which the defendant has actually used and the context in which he has used it; and this must be compared to a notional and fair use of the mark in relation to all of the goods and services in respect of which it is registered. The mark may or may not have been used; it may have been used in relation to some but not all of the goods or services for which it is registered; and any use may have been on a small or a large scale. But the question in every case remains the same, namely whether, having regard to a notional and fair use of the mark in relation to all of the goods or services for which it is registered and the actual use of the sign, there is a risk that the average consumer might think that the goods or services come from the same undertaking or economically linked undertakings, and that is all.”

48. It is also clear that the global assessment of the likelihood of confusion must be seen in the context of all the relevant facts. Kitchin LJ said at [87] of *Specsavers* (*supra*).

“In my judgment the general position is now clear. In assessing the likelihood of confusion arising from the use of a sign the court must first consider the matter from the perspective of the average consumer of the goods and services in question and must take into account all the circumstances of that use that are likely to operate in that average consumer’s mind in considering the sign and the impression it is likely to make on him. The sign is not to be stripped of its context.”

49. It is not necessary for the Claimant to prove instances of actual confusion, but here there is no such evidence. A lack of evidence of confusion may support a finding of non-infringement where the extent of side-by-side use of the Mark and the signs are such

that if there was a likelihood of confusion one might expect some evidence of confusion to have emerged: see *W3 v easyGroup (supra)* at [276].

50. The context of the alleged infringing use would encompass the overall packaging and labelling of the Defendant's goods, with its clear and prominent use of other brands, the lack of any evidence that the Claimant has used "Funtime" as part of a longer sub-brand, the fact that the Names are likely to be seen as the names of the figures (even if also seen as denoting origin) and the very real differences in the nature of the parties' respective goods despite them being 'similar' in terms of trade mark law. All of these points militate, in my view, against a likelihood of confusion.
51. Indeed, the Claimant did not suggest that there was a likelihood of direct confusion, but its main complaint was that the average consumer will associate the Mark with the Defendants' goods and assume a licence had been granted for use of the Funtime name. It submitted that even if there is an awareness of the differences between toys for young children and toys for teenagers, where licensing is central to the Defendant's business as a seller of merchandise there is a very real risk that the average consumer will consider that the Claimant has licensed its Mark. I do not accept this argument. I consider that the average consumer who realises that the goods are licensed merchandise either from seeing it sold amongst a range of such products, or from looking at the packaging of the goods, will be more likely to associate them with the makers of the FNAF/Sister Location game, the names of which appear prominently on the packaging, than with the Claimant, because of the inclusion of the Mark in the Names. In my judgment, in context, they are more likely to do that even if they are unfamiliar with the game, than to assume that there is a licence in place from the Claimant, for the same reasons as set out above. The Claimant produced various social media comments and Amazon reviews relating to the Defendant's goods. None of them alluded to any connection to the Claimant or implied a belief in a trade connection between the Marks and the Defendant's goods.
52. The position is rather different for the plush toys, which could well be seen as suitable for pre-school children, and so are identical goods to the fair specification for the Marks. Nevertheless, in my judgment, someone seeing a plush toy labelled in a similar manner to the action figurines would be equally unlikely to assume that the use of the name

Funtime was licensed by the Claimant. Further, it seems that some plush toys were not labelled with the Names (or just Funtime) at all.

53. The products complained of were launched in about 2017 and have been sold in large stores and on Amazon, in parallel to the Claimant's goods. Despite the undertaking given by the Defendant in April 2021, it seems that some sales may have continued as stock was sold through. There has therefore been ample time (at least 4 years, maybe 5) during which evidence of confusion might have come to the parties' attention. Mr Oddie gave evidence that the Defendant at least had protocols in place with trade buyers to ensure that any complaints would be drawn to its notice, so that confusion might have come to light.
54. In all the circumstances, I am not persuaded that there is a likelihood of confusion in this case, even if the Names are seen as marks of origin, taking all the factors mentioned above and the context of the Defendant's sales into my global assessment of the likelihood of confusion. That view is reinforced by the lack of evidence of any confusion. Despite the similarity of both the Marks/signs and the goods, the absence of any concrete evidence of confusion in circumstances of over four years of side-by-side use suggests that there is no real likelihood of confusion. The claim under sub-section 10(2) therefore fails.
55. That leaves the Claimant's case based upon sub-section 10(3) of the Act. There was no dispute between the parties as to the applicable principles. The criteria to be satisfied were set out by Kitchin LJ in *Comic Enterprises*, and those which remain to be decided in the circumstances are:

“111. (i) the registered trade mark must have a reputation in the relevant territory; ... (vii) it must give rise to a link between the sign and the trade mark in the mind of the average consumer; (viii) it must give rise to one of three types of injury, that is to say, (a) detriment to the distinctive character of the trade mark, (b) detriment to the repute of the trade mark, or (c) unfair advantage being taken of the distinctive character or repute of the trade mark; and (ix) it must be without due cause.”

56. The Claimant claimed a reputation for the Marks, the Defendant denied it. In the light of my finding that the UK Mark has an enhanced distinctive character, I consider that it also has a reputation for the purpose of s 10(3), that not being a particularly onerous requirement (*Och-Ziff Management Europe Ltd v OCH Capital LLP* [2010] EWHC 2259 at [125]).
57. Next, it is necessary to show that a link would be made between the marks and the Names, meaning (as explained in Specsavers at [120]-[121]) that the relevant section of the public makes a connection or establishes a link between them, even though it does not confuse them. Again, this requires a global assessment. In my view, the points militating against there being any likelihood of confusion here also mean that no link would be made. I do not consider that use of the Names on the Defendant's goods would bring the Marks to the mind of the average consumer. Consumers knowing of FNAF would see the use of Funtime as a reference to the FNAF characters, whilst consumers knowing of the Claimant's range of goods would be unlikely to connect its Mark with the Defendant's very different vinyls and action figures. As for the plush toys, whilst identical to the fair specification for the Marks, there was no evidence that any soft toys had been sold by the Claimant, so that its reputation would not have extended to such goods. Again, I note the absence of any such connection being suggested by the media postings and reviews in evidence.
58. In the absence of a link, the claim under s 10(3) fails.
59. In case the matter goes further, I will express my views on the remaining aspects of the sub-section 10(3) claim. Were it to be the case that use of the Names might create a link to the Marks, that of itself would not be enough to show injury or the risk of injury. The Claimant said that a link to the Marks would cause detriment to them and damage or tarnish the reputation of the Marks. The criteria for finding detriment were set out in Case C-252/07, *Intel Corp Inc v CPM United Kingdom Ltd* (EU:C:2008:655; [2009] R.P.C. 15 at [69]-[70] and summarised in *Comic Enterprises*, at [114]:
- “In summary, it is not necessary for the earlier mark to be unique, although the more “unique” it appears, the greater the likelihood that a later identical or similar mark will be detrimental to its distinctive character; secondly, the use of an identical or similar mark may suffice, in some circumstances, to cause actual and

present detriment to the distinctive character of the earlier mark or to give rise to a serious likelihood that such detriment will occur in the future; and thirdly, detriment to the distinctive character of the earlier mark is caused when that marks ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened. There followed at para.[77] [*of Intel*] this important explanation of what is needed by way of proof:

“77. It follows that 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.”

Kitchin LJ added at [116]-[118] that in order to succeed in showing injury to the distinctive character of a mark, it is necessary to demonstrate, through relevant evidence, that use of the sign complained of would lead to a change in the economic behaviour of the average consumer or, at least, is likely to lead to such a change (see *ibid* at [116]-[118]). He said, “a serious risk of detriment may be established by deduction, but any such deduction cannot be supposition and must instead be founded properly on all the circumstances of the case and the nature of the trade in issue.”

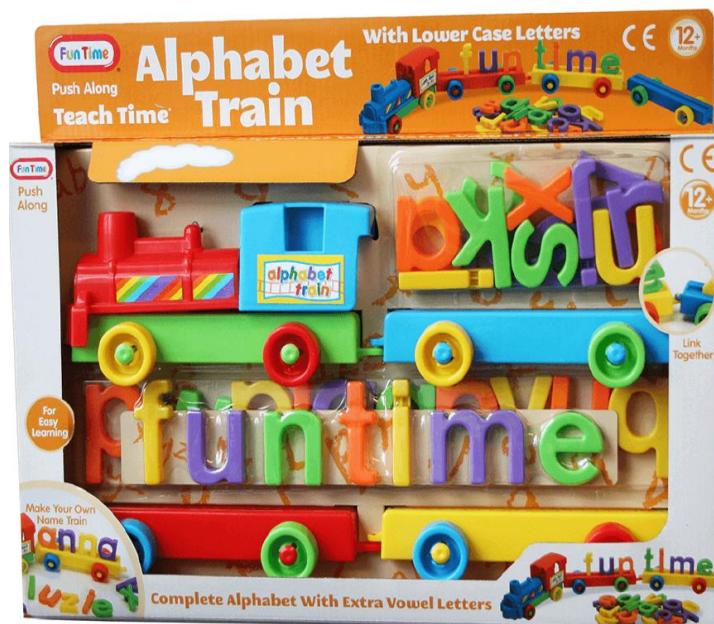
60. The Claimant’s case was based upon the evidence of the frightening and, according to the Claimant, unpleasant nature of the FNAF games, which it said are unsuitable for and positively bad for young children, unlike the Claimant’s “wholesome educational” products. It was in this context that the Claimant relied upon the evidence of Ms Garratt. She gave evidence of children at her primary school who had been exposed to the FNAF games, including by accessing the game on YouTube, being distressed by them, acting inappropriately in varying ways, and describing the horror content of the games to other children or staff. She said that some toys and merchandise connected with FNAF had been brought into school. She described the steps the school had taken to deal with the issue. The Claimant also relied upon some articles on the internet which speculate as to the damage playing FNAF might have upon young children, and upon Mumsnet discussions, some of which expressed the view that the game was too scary for young children (although I note that other comments indicated that even children as young as 7 had played the games without being adversely affected by them.)

61. I accept Ms Garratt's evidence as to the potential impact of playing the FNAF games upon primary age children. However, it does not seem to me that her evidence indicates that any detrimental effect stemmed from the FNAF toys brought into school. Her evidence, and the internet/social media evidence just described, all related to the game, not to merchandise. In my judgment, a young child given one of the Defendant's allegedly infringing products would not be likely to be scared by it. Without knowledge of the Sister Location game, the action figures and pop vinyls are simply plastic toy figurines. Some of them are relatively cute, with big eyes, others are scarier, with sharp teeth, and Foxy has a hook for a hand in one version. In my judgment, whilst some people would not choose to give such a toy to a pre-school child, these toys are no more intrinsically scary than, say, many pirate or monster models. Certainly there is nothing scary at all about the plush figures.
62. I am therefore satisfied that the evidence as to the scariness and adverse impact of the game upon young children is irrelevant to the allegation of detriment under sub-section 10(3). I do not see that the nature of the FNAF games means that sales of the Defendant's goods lead to any risk of injury to the distinctive character of the Marks or in any way impede the Claimant's ability to use its Marks. I find that no likelihood of detriment has been shown. The Claimants' complaints are based on mere supposition.
63. On the same basis, in my judgment, the Claimant has not made out a case of tarnishment. I do not consider that there was any evidence to suggest that use of the Names in the game, still less on the Defendant's goods, would bring the Claimant's goods into disrepute.
64. Mr Oddie was cross-examined on the basis that sales of the Defendant's merchandise build popularity for the games, and it was suggested that this meant that the Defendant was taking unfair advantage of the Marks and using the repute of the Marks to attract custom for the Defendant's goods. It is not necessary to show that such was the Defendant's intent, as long as that is its effect. Mr Oddie's view, however, was that it was the strength of the underlying IP rights that drives popularity and there was no evidence that someone who bought one of the Defendant's toys would be more likely to buy the game. More particularly, there was no evidence before me which demonstrated that any advantage was taken by the Defendant by use of the Names.

Even if there was a link made to the Marks by use of the Names, in my view, the success of the Defendant's goods would stem from the link to FNAF, not the link to the Marks, so there is no case of unfair advantage.

65. Finally, as to due cause, the Defendant submitted that it could rely upon its licence from Scottgames, which was entitled to grant it to it. I do not consider that this would (had it been necessary) have amounted to due cause to use the names. If they infringed, then the fact that the Defendant had been licensed by Scottgames would be immaterial, as it was only able to licence use of its own IP rights, it was not entitled to licence the Defendant to breach a third party's IP rights.
66. For all these reasons, the claim fails.

Annex A



Annex B



