

O/545/22

TRADE MARKS ACT 1994

IN THE MATTER OF APPLICATION NO. UK00003418943

BY NADEEM AKHTAR

TO REGISTER:

SUN STATE HEMP

AS A TRADE MARK IN CLASSES 3, 5, 29, 30, 34 AND 35

AND

IN THE MATTER OF THE OPPOSITION THERETO

UNDER NO. 418484

BY ELH PRODUCTS LLC TRADING AS SUN STATEHEMP

BACKGROUND AND PLEADINGS

1. On 5 August 2019 Nadeem Akhtar (“the applicant”) applied to register the trade mark shown on the cover page of this decision in the UK for the following goods and services:

Class 3: *Skin care preparations; make-up; moisturisers; body cleaning and beauty care preparations; cosmetics and cosmetic preparations; cosmetic kits; compacts containing make-up; sunscreen creams; hair treatment preparations; soaps and gels; bath bombs; perfumery and fragrances; nail polish; eyelashes; deodorants and antiperspirants; dentifrices and mouthwashes; natural essential oils.*

Class 5: *Pharmaceuticals; dietary supplements; nutritional supplements; anti-inflammatory gels; topical first aid gels; gels for dermatological use; gelatine capsules for pharmaceuticals; topical analgesic creams; tinctures for medical purposes; medicinal herbs; herbal supplements; herbal medicine; medicinal herb infusions; medicinal herb extracts; liquid herbal supplements; herbal detoxification agents; decoctions of medicinal herb; extracts of medicinal herbs; herbal honey throat lozenges; herb teas for medicinal purposes; herbal preparations for medical use; herbal dietary supplements for persons special dietary requirements; pharmaceutical sweets; medicinal oils; dietetic substances adapted for medical use; dietetic and nutritional supplements; dietetic confectionery; dietetic confectionery with protein supplements; dietetic snack bars in this class; nutritional supplement meal replacement bars; nutritional supplement meal replacement snacks; dietetic flapjack bars with protein supplements; nutritionally fortified beverages for dietetic use; nutritional supplement shakes; protein supplements; protein supplement shakes; vitamin fortified beverages; nutritional supplement drink mix; snack foods for dietetic use.*

Class 29: *Fresh, preserved, tinned, chilled, frozen and cooked meat, fish, poultry and game; meat and fish extracts; seafood, crustaceans and molluscs; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams,*

compotes; eggs, milk and milk products; edible oils and fats; prepared meals and snacks made principally from meat, fish, seafood, molluscs, crustaceans, poultry or game; soups; dried fruit, mixtures of nuts and dried fruits, dried tropical fruits; mixtures of seeds; food products made from dried fruits, nuts and processed seeds; prepared snacks for human consumption made from dried fruit, nuts and processed seeds; edible, prepared and processed nuts; edible, prepared and processed seeds.

Class 30: *Honeys; honey substitutes; herbal honey; herb sauces; herbal infusions; herbal teas; chocolate confectionary; confectionery; cakes; bakery goods; breads; syrups and treacles; coffee, tea, cocoa, sugar, tapioca, sago, artificial coffee; flour; preparations made from flour; preparations made from cereals; pastry; yeast, baking powder; spices; snack bars containing grains, seeds, nuts or dried fruit; food mixtures consisting of cereal flakes and dried fruits; nut confectionery; coated nuts.*

Class 34: *Smokers' articles; electronic cigarettes; chemical flavourings in liquid form used to refill electronic cigarette cartridges; electronic cigarette liquid (e-liquid) comprised of flavourings in liquid form, other than essential oils, used to refill electronic cigarette cartridges; electronic cigarette liquid (e-liquid) comprised of propylene glycol; electronic cigarette liquid (e-liquid) comprised of vegetable glycerine; liquid nicotine solutions for use in electronic cigarettes; cartridges for electronic cigarettes; parts and fittings for all the aforesaid goods.*

Class 35: *Advertising, marketing and sales promotions; online ordering services; retail services connected with the sale of skin care preparations, make-up, moisturisers, body cleaning and beauty care preparations, cosmetics and cosmetic preparations, cosmetic kits, compacts containing make-up, sunscreen creams, hair treatment preparations, soaps and gels, bath bombs, perfumery and fragrances, nail polish, eyelashes, deodorants and antiperspirants, dentifrices and mouthwashes, natural essential oils, pharmaceuticals, dietary supplements, nutritional supplements, anti-inflammatory gels, topical first aid gels, gels for dermatological use, gelatine capsules for pharmaceuticals, topical analgesic creams, tinctures for medical*

purposes, medicinal herbs, herbal supplements, herbal medicine, medicinal herb infusions, medicinal herb extracts, liquid herbal supplements, herbal detoxification agents, decoctions of medicinal herb, extracts of medicinal herbs, herbal honey throat lozenges, herb teas for medicinal purposes, herbal preparations for medical use, herbal dietary supplements for persons special dietary requirements, pharmaceutical sweets, medicinal oils, dietetic substances adapted for medical use, dietetic and nutritional supplements, dietetic confectionery, dietetic confectionery with protein supplements, dietetic snack bars, nutritional supplement meal replacement bars, nutritional supplement meal replacement snacks, dietetic flapjack bars with protein supplements, nutritionally fortified beverages for dietetic use, nutritional supplement shakes, protein supplements, protein supplement shakes, vitamin fortified beverages, nutritional supplement drink mix, snack foods for dietetic use, fresh, preserved, tinned, chilled, frozen and cooked meat, fish, poultry and game, meat and fish extracts, seafood, crustaceans and molluscs, preserved, frozen, dried and cooked fruits and vegetables, jellies, jams, compotes, eggs, milk and milk products, edible oils and fats, prepared meals and snacks made principally from meat, fish, seafood, molluscs, crustaceans, poultry or game, soups, dried fruit, mixtures of nuts and dried fruits, dried tropical fruits, mixtures of seeds, food products made from dried fruits, nuts and processed seeds, prepared snacks for human consumption made from dried fruit, nuts and processed seeds, edible, prepared and processed nuts, edible, prepared and processed seeds, honeys, honey substitutes, herbal honey, herb sauces, herbal infusions, herbal teas, chocolate confectionary, confectionery, cakes, bakery goods, breads, syrups and treacles, coffee, tea, cocoa, sugar, tapioca, sago, artificial coffee, flour, preparations made from flour, preparations made from cereals, pastry, yeast, baking powder, spices, snack bars containing grains, seeds, nuts or dried fruit, food mixtures consisting of cereal flakes and dried fruits, nut confectionery, coated nuts, smokers' articles, electronic cigarettes, chemical flavourings in liquid form used to refill electronic cigarette cartridges, electronic cigarette liquid (e-liquid) comprised of flavourings in liquid form, other than essential oils, used to refill electronic cigarette cartridges, electronic cigarette liquid (e-liquid) comprised of propylene glycol, electronic cigarette liquid (e-liquid) comprised of vegetable glycerine, liquid nicotine

solutions for use in electronic cigarettes, cartridges for electronic cigarettes, parts and fittings for the aforesaid goods; consultancy, information and advisory services relating to all the aforesaid services.

2. The application was published for opposition purposes on 16 August 2019.
3. On 18 November 2019 the application was opposed by ELH Products LLC trading as SUN STATEHEMP (“the opponent”). The opposition is based on Sections 5(4)(a) and 3(6) of the Trade Marks Act 1994 (“the Act”).
4. Under its Section 5(4)(a) ground, the opponent claims to have obtained goodwill in the unregistered sign ‘SUN STATE HEMP’. The opponent claims to have used the sign throughout the UK since December 2018 in relation to all of the goods and services listed in the specification of the contested application.
5. Under its Section 3(6) ground, the opponent claims that the application was made in bad faith.
6. The primary facts pleaded in the opponent’s statement of grounds are as follows:
 - The opponent offers goods and services under the trade mark ‘SUN STATE HEMP’ in the UK through its UK distributor E Vape Outlet (“E VAPE OUTLET”);
 - Companies House identifies a company by the name of Evo Labs Ltd (“EVO LABS”) at the same address of E VAPE OUTLET of which the applicant, Mr Nadeem Akhtar, is a Director;
 - Companies House also identifies a company by the name of Evo Wholesale Ltd (“EVO WHOLESALE”) of which the applicant, Mr Nadeem Akhtar, is a Director. The address of this company is the same address as that listed by the applicant on the application;
 - A commercial relationship has existed between the applicant and the opponent since December 2018 with the applicant acting as the opponent’s distributor in the UK and selling the opponent’s goods and services in the UK;

- E VAPE OUTLET has been the sole distributor for the opponent in the UK since December 2018 and has offered the opponent's goods and services under the mark 'SUN STATE HEMP' in the UK on behalf of the opponent. The opponent has provided E VAPE OUTLET with leads to new customers, it has tailored its packaging for E VAPE OUTLET to use/sell goods in the UK on behalf of the opponent and has subsidised/agreed to subsidise E VAPE OUTLET's marketing of the opponent's goods and services;
- The applicant as the director of EVO WHOLESale is also using the following 'SUN STATE HEMP' logo which belongs to the opponent:



- The applicant did not conceive the trade mark 'SUN STATE HEMP' independently and in good faith because he is associated with the entity which sold the opponent's products in the UK on behalf of the opponent and was aware of the opponent's rights and activities when the application was filed. The applicant has applied to register a mark which is identical to that used by the opponent for goods and services identical and similar to those offered by the opponent. The nature of both the contested mark and the opposed goods and services are such as to create a rebuttable presumption of bad faith as it is not conceivable that the applicant could have applied to register the mark for any reason other than an attempt to appropriate the opponent's mark and monopolise it in the UK. Thus, registration of the opposed mark is contrary to Section 3(6) of the Act;
- The opponent has been developing its brand in the UK since December 2018 and has sold/offered its goods and services under the mark 'SUN STATE HEMP' in the UK through its distributor. Owing to the commercial relationship between the opponent and its distributor, the opponent is the owner of the goodwill generated by the sale of its goods and services in the UK. As a result of the goodwill obtained in a sign which is identical to the applied for mark, the latter constitutes a misrepresentation and will deceive customers into thinking

that the goods and services provided under it are the opponent's or somehow endorsed by or related to the opponent. This would cause damage the opponent's goodwill and business and thus, registration of the mark is contrary to Section 5(4)(a) of the Act.

7. The applicant filed a counterstatement wherein he, generally, denies the claims made. Whilst the applicant admits that he was engaged in business dealings with the opponent, he says that the relationship with the opponent was not of a nature as that claimed by the opponent and states that he has not, at any time, been a distributor of the opponent. According to the applicant, he created the brand and trade under the branding in the UK/EU and *"the opponent is merely an entity with which the applicant has corresponded in respect of the CBD products"* and has no rights in the branding in the UK/EU.

8. Both parties filed evidence in chief with the opponent also filing further evidence in reply.

Representation

9. The opponent is represented by Boulton Wade Tennant LLP and the applicant is represented by Wilson Gunn. A hearing took place, remotely, on 1 April 2022. Ms Charlotte Blythe (instructed by Boulton Wade Tennant) appeared as counsel for the Opponent. Mr Andrew Marsden of Wilson Gunn appeared for the applicant.

The evidence

10. The opponent's evidence in chief came in the form of the witness statement of Charly Benassayag dated 7 October 2020. Mr Benassayag is a Director of the opponent, a position he has held since 2013. Mr Benassayag's statement is accompanied by 10 exhibits (CB1-CB10).

11. The applicant's evidence in chief came in the form of two witness statements, the first of which came from the applicant's brother, Rangzaib Akhtar, and is dated 14 June 2021. Mr Rangzaib Akhtar is the owner of the business trading as SUN STATE HEMP

in the UK. His statement is accompanied by 1 exhibit (RA1). The second witness statement came from the applicant himself and is dated 14 June 2021. The applicant also filed written submissions received on 18 June 2021.

12. The opponent's evidence in reply came in the form of a further witness statement from Mr Benassayag dated 19 November 2021 and accompanied by 5 exhibits (CB11-CB15). The opponent also filed written submissions received on 22 November 2021.

13. I do not intend to reproduce the evidence or submissions in full here, however, I will refer to them below where necessary.

Relevance of the EU law

14. Although the UK has left the EU, section 6(3)(a) of the European Union (Withdrawal) Act 2018 requires tribunals to apply EU-derived national law in accordance with EU law as it stood at the end of the transition period. The provisions of the Act relied on in these proceedings are derived from an EU Directive. This is why this decision continues to make reference to the trade mark case-law of EU courts.

DECISION

The factual background

15. As Ms Blythe noted in her oral submissions, the main witness statement of the applicant does not come from the applicant but from his brother, Rangzaib Akhtar. This is because although the applicant applied for the contested mark on his own, his brother is heavily involved in the business operation from which this dispute arises. In his witness statement, the applicant simply states that the contested application was filed in his name in good faith to protect the brand which was created by his brother.

16. The factual background of this case is as follows.

17. The applicant and his brother have been running a business selling goods branded 'SUN STATE HEMP' in the UK. According to the applicant's brother, Rangzaib Akhtar,

both brothers are in control of that business. However, each brother is formally responsible for/in control of various parts of the business operation. Nadeem Akhtar is the applicant for the mark objected in these proceedings and the owner of the domain name www.sunstatehemp.co.uk. He is also the director of two companies, EVO LABS – which, Rangzaib Akhtar says, has no connection with the brand ‘SUN STATE HEMP’ - and EVO WHOLESALE. According to Rangzaib Akhtar, the latter is the company through which they have purchased the opponent’s products under the brand ‘SUN STATE HEMP’ and re-sold them in the UK. Rangzaib Akhtar further states that he is the owner of the business trading as ‘SUN STATE HEMP’ in the UK, although it is not clear whether he refers to a separate company or to the above-named companies collectively.

18. The opponent is a US company that manufactures and distributes CBD products. In the USA, the opponent trades under the brand ‘SUN STATE HEMP’.

19. There is not a lot of common ground about the history of events. The parties’ views differ primarily in respect of the nature of their commercial relationship. Each party also challenges the accuracy of some of the events referred to in the other party’s account as well as the interpretation placed on them. However, there are certain facts that are undisputed. First, it is undisputed that there has been a commercial relationship between the Akhtar brothers and the opponent which started in 2017-2018 whereby the opponent manufactured the goods in the USA and the applicant and his brother imported and sold the goods in the UK. Second, it is undisputed that no formal agreement was in place. Third, it is undisputed that around June 2019 the parties fell out, and now both parties claim to have an exclusive right to continue to use the brand ‘SUN STATE HEMP’ in the UK.

20. The opponent’s version of events is that from approximately December 2018 it started selling ‘SUN STATE HEMP’ branded CBD products to EVAPE OUTLET – which, according to the opponent, is one of the applicant’s companies - and then in turn EVAPE OUTLET distributed the opponent’s products in the UK. According to the opponent, the relationship between the opponent and the Akhtar brother’s business (which I refer to as including the trade carried out by the two brothers both personally and through their companies) is one of brand owner and UK distributor with the

opponent being the brand owner, and the applicant, or the applicant's companies, being a UK distributor.

21. The opponent's evidence is pretty much silent on how the parties met and does not give any background or context to the starting of the commercial cooperation between the parties. In his evidence, Rangzaib Akhtar provided a little more information. He says that in May 2017 talks began with Mr Benassayag and a meeting took place in Birmingham. He also says that the initial contact and subsequent correspondence were with a view to obtaining products from the opponent that would be branded by his businesses. He explains that they approached the opponent to manufacture the products and assist in providing finished products according to their instructions, including the manufacture and supply of specific products, labelling and advertising material and laboratory testing of the products as required. He also denies that he contacted the opponent as a prospective distributor (for the UK and the EU) of products that the opponent had manufactured and branded and say that the approach was with the intention of starting a new business venture with the opponent, the intention being that they would operate the UK/EU business and they were happy for the opponent to operate the US arm of the business. As Ms Blythe noted in her oral submissions, there are here two quite separate versions, namely (a) that the Akhtar brother's business engaged the opponent as a manufacturer to launch their own brand in the UK and (b) that the collaboration with the opponent was a joint venture within which the Akhtar brothers would operate the UK/EU business while the opponent would operate the US business. Whilst I accept that the references to the two versions are a little muddled, it is only when these statements are considered in the context of the evidence as a whole that it is possible to establish whether they are consistent with the way in which the case has been put forward by the applicant.

What does the applicant's WhatsApp evidence reveal about the business relationship between the parties?

22. As explained above, Rangzaib Akhtar says that the initial contact was made by him and his brother in May 2017. This is confirmed by copies of WhatsApp messages

between Rangzaib Akhtar and Mr Benassayag from May 2017.¹ Rangzaib Akhtar says that when the initial contact was made the brand 'SUN STATE HEMP' did not exist, a fact agreed by Mr Benassayag who states in his evidence that the brand was created shortly before 10 April 2018 (see below).

23. The messages exhibited show that Rangzaib Akhtar and Mr Benassayag (who, in the WhatsApp texts, are referred to as Ummar and Atmos respectively) initially made arrangements to meet up on 28 May 2017 when Mr Benassayag flew to the UK. The tone of the messages is very friendly, and the words used indicates that both Rangzaib Akhtar and Mr Benassayag were very keen to meet but there is no information about what they were going to discuss. The messages exchanged after Mr Benassayag returned to the USA were also very friendly, i.e. *'Bro we missing you guys already'*, but make no reference to what was discussed during the meeting, however, in one of the messages Rangzaib Akhtar asked Mr Benassayag what he thought about a liquid that he gave him for testing.

24. The messages also show that around December 2017, Mr Benassayag asked Rangzaib Akhtar to look into if they could send CBD products from the USA to the UK and started looking for a supplier of CBD products in the USA:

Atmos: "I am heading to meet with a CBD company from Colorado. They have a branch here. Let's talk tomorrow [...]" "If I do not find anything locally at a good price. I'll fly this week to Colorado or California where I know most of the growers. I am on it".

25. In another message from January 2018, Mr Benassayag states:

Atmos: "Zeb, I have everything ready with CBD. I made some great finds. If still interested, let me know".

¹ RT1

26. By the 7 January 2018, Rangzaib Akhtar was selling the opponent's products in the UK, however, the goods were not branded 'SUN STATE HEMP' (it seems that one of the brands was Junky Juice), because at that time that brand did not exist:

Ummar: "Your products have all but sold out in my stores, and the customers who have purchased are 100% satisfied with their purchase. We have also done a deal in principle with one of the main wholesalers in the UK who will be stocking the whole line. I will call you [...] this week to place the order. Junky juice had also sold very well in all my stores [...]"

27. The first reference to the brand 'SUN STATE HEMP' is in a message dated 29 June 2018 in which Rangzaib Akhtar said:

Ummar: "All who have tried the sun state hemp products are raving about how good they are".

28. Although Rangzaib Akhtar started selling goods under the brand 'SUN STATE HEMP' he continued to sell other products supplied by the opponent under other brands, including a brand called 'ATMOS' which, it is undisputed, is one of the opponent's brands. In a message dated 8 March 2019 Rangzaib Akhtar said:

Ummar: "Hey brother, hope all is good. Really could do with getting on a call. Have too many things we need to discuss. Sunstate has gone crazy, and with the recent developments with flower the demand for Atmos has gone nuts. This is the case all over Europe. The promise we made that we would only be satisfied when we are selling as much Atmos as sun state hemp is easy achievable quickly. Just need your support and confidence".

29. The content of the WhatsApp messages also suggests that the relationship between Rangzaib Akhtar and Mr Benassayag was such that they worked together to explore new markets (both in the UK and the EU) and develop new products including the brands under which the goods were going to be sold. For example, there are some discussions about Rangzaib Akhtar travelling to various EU countries in order to sell the products and meet potential distributors, although it is not 100% clear whether or

not Rangzaib Akhtar and his brother also used other suppliers. Further, in one of the messages from January 2019 Rangzaib Akhtar talked about a new CBD product that was sold in Greece and Mr Benassayag replied:

Atmos: "OK, I will work on that. It will have to be for international only. I can't sell it in the USA because of customer agreement. So help me with the design and name. We can get this ready fast"

30. In another message Mr Benassayag asked Rangzaib Akhtar to come up with a name for a cream, and Rangzaib Akhtar suggested the name 'Euphoria'. This reading of the evidence is also consistent with the statement made by Mr Benassayag in one of the WhatsApp conversations² that he was the only one that worked on development of new products.

31. As far as I can tell, the messages also show that Rangzaib Akhtar and Mr Benassayag worked together to promote the goods manufactured by the opponent at trade shows in the UK, with Mr Benassayag providing marketing material and Rangzaib Akhtar attending the shows. However, the evidence filed by the opponent³ also suggests that in March 2018 a person called Fabian from the opponent's company flew to the UK to attend a trade show.

32. As regards the nature of the relationship between the parties, my impression is that neither party has provided a full account of the facts. In this connection, I have noted a reference in one of the messages dated 6 April 2019 to Rangzaib Akhtar having promised an individual called Sean to make an order for 100k a month:

Atmos: "I don't want 300k. Seriously. I just want the 100k a month that u promised Sean"

Ummar: "Charlie my brother my next order is going to have to be I think at least 150,000"

Ummar: "Maybe 200k"

² RA1 page 67

³ CB5

Atmos: *“So Sean can finally shut up”*.

33. It is not clear who Sean is but there was somehow an agreement that Rangzaib Akhtar would order 100k a month worth of goods from the opponent. Equally it is not clear what Rangzaib Akhtar’s part of the bargain was if he managed to achieve that figure, but it is quite telling that a similar conversation went on between the aforementioned individual called Fabian from the opponent’s company and the applicant about an order made by a third party company who dealt directly with the applicant.⁴ In that conversation Fabian said that because it was a small order the company would need to pay retail price or, in the alternative, the applicant could offer them ‘sub distro price’ (which I take to mean a discounted sub distribution price) if they agreed to sell “a 10,000 a month minimum”. On that basis, I think a reasonably safe conclusion is that there was an agreement between the Akhtar brothers and the opponent that if they placed a minimum order of £100k a month, they would get a reduced price on the goods purchased (which would increase their profit).

34. In another message sent after the relationship started to deteriorate, Rangzaib Akhtar said that the agreement was that they would have promoted the brand:

Ummar: “Bro I need some answer quick or am I on the next flight to Miami. This is not acceptable, you told me is something is not fair to tell you. Well this is not fair, I need answers to what is going on. We have done 11 shows each show cost more than 10k. We have kept our part of the bargain promoting this brand, partners?”

35. The WhatsApp messages also confirm that the relationship between the parties started to deteriorate in July 2019 when Rangzaib Akhtar told Mr Benassayag that the ‘SUN STATE HEMP’ products supplied did not match the results of the laboratory reports in the UK because the content of CBD levels were not right. This escalated further, with Rangzaib Akhtar accusing the opponent of *“doing white labels behind [their backs] to UK customers”*.⁵ A white-label product is a product or service produced by one company that other companies rebrand to make it appear as if they had made

⁴ CB6

⁵ RA1 page 95

it. However, it is far from clear on which basis Rangzaib Akhtar felt that the opponent should not have taken orders for “white label” products without telling him.

The opponent’s evidence

36. In his first witness statement, Mr Benassayag states that he is the director of the opponent and of another company called ATMOS NATION LLC, with both companies manufacturing and distributing CBD products. This explains the reference, which I have pointed out above, to the Akhtar brothers selling goods under the brand ‘ATMOS’. Mr Benassayag says that his companies have worked to distribute their goods in the UK via distributors and E VAPE OUTLET took a huge amount of orders from them.

37. Mr Benassayag provides evidence from Companies House showing that the applicant is a director of the following companies:

- EVO LABS LTD (company registration number 12301100)
- EVO WHOLESALE LTD (company registration number 10225878) and
- E VAPE OUTLET YORK LIMITED (company registration number 09188797).

38. However, it is not 100% clear which company Mr Benassayag refers to when he talks about the opponent having sold its products to E VAPE OUTLET. This is because on the sample invoices exhibited in evidence the opponent’s goods appear to be sold to E VAPE OUTLET at 25 Kirkgate Wakefield England WF1 1HS which is different from the address on record for the company E VAPE OUTLET YORK LIMITED (that being Dsi Business Recovery, Ashfield House, Illingworth Street, Ossett, WF5 8AL) of which the applicant is a director. Rather oddly, the address shown on the invoices corresponds to that recorded for another E VAPE OUTLET company, namely E VAPE OUTLET WAKEFIELD LIMITED (company registration number 9147131) however, the records exhibited by the opponent indicate that this company has only one director, Mr H L, and it is not clear what is the relationship between this individual and the Akhtar brothers. Nevertheless, as the address listed on the invoices for E VAPE OUTLET, i.e. 25 Kirkgate Wakefield England WF1 1HS, is the same as that listed for EVO LABS

LTD (of which the applicant is also a director) I accept that, for the purpose of this opposition, goods were meant to be sold to the E VAPE OUTLET company connected with the applicant.

39. Nevertheless, there does not seem to be any doubt that the goods were sold by the opponent to the applicant as the invoices are all addressed to 'Evapeoutlet' and Nadeem or Zeb Akhtar (the latter being another name by which the applicant is known).

40. The invoices are for the supply of various CBD products, including gummies, bath bombs, creams, oils, gels, capsules, body lotions, vape juices and pet treats. The sales include the supply of products described as 'UK Sun State Hemp Labels' – given the price per unit, which ranges from \$0.15 to over \$20, it seems that some of these references relate to the labels, not the products. The quality of the pictures is very poor and the brand on the labels is not visible, however, as some of the product descriptions clearly refer to other brands, e.g. CBD PEACE & LOVE BATH, CBD YOGRASS BATH BOMB, the inference is that not all of the products listed on the invoices were branded 'SUN STATE HEMP'. The total of the invoices amounts, on a rough calculation, to \$ 310,000 and the invoices are dated between 27 April 2018 and 7 June 2019. The invoices qualify the sale as 'wholesale'.

41. I note that all of the invoices (even the earliest ones) are issued by the opponent trading as 'SunstateHemp' and display the opponent's website address sunstatehemp.com (which Mr Benassayag says was acquired on 10 April 2018) as well as the 'SUN STATE HEMP' logo. On the contrary, the brand 'SUN STATE HEMP' is used on the invoices in relation to the applicant only from December 2018 onwards when it appears incorporated in the applicant's email addresses info@sunstatehemp.co.uk and sunstatehemp@hotmail.com; prior to that, the email address listed under the applicant's name was evo.keighley@hotmail.com. Whilst this would suggest that the opponent started using the brand 'SUN STATE HEMP' before the applicant, the parties disagree about who came up with the brand.

Who coined the name 'SUN STATE HEMP'?

42. In his second witness statement, Mr Benassayag states that the mark 'SUN STATE HEMP' was created independently by employees of the opponent shortly before the purchase of the domain name sunstatehemp.com - which occurred on 10 April 2018 - and the logo was finalised by the opponent's in-house design team on 18 April 2018. Mr Benassayag does not explain in detail how the name was created, but he says that the name came up during discussions between the opponent's internal team and was inspired by the fact that the opponent is based in Florida and Florida is known as the 'sunshine state'.

43. There is no evidence before me to support Mr Benassayag's assertion. All that Mr Benassayag filed in relation to this point is (a) a copy of an employee's contract which states that the employee agreed to assign to the opponent any intellectual property rights conceived or developed within the scope of and during the period of time of the employment relationship⁶ and (b) an extract from the opponent's internal database which lists the creation date of the logo as 18 April 2018.⁷ Although Mr Benassayag says that the said employee created the 'SUN STATE HEMP' logo, it does not follow that he also created the name 'SUN STATE HEMP'. In any event, I agree with what Mr Marsden said during the hearing in relation to the logo, namely that the creation of the logo is not particularly relevant because it is the name that is central to the dispute.

44. The applicant claims that it was actually Rangzaib Akhtar who proposed the name during a conversation on WhatsApp. The relevant part of the WhatsApp conversation upon which the applicant relies is as follows:⁸

[05/04/2018, 8:00:10 pm] Ummar: *What do you intend to call the brand? Hemp America?*

[05/04/2018, 8:41:12 pm] Atmos: *LIVE GREEN CBD. Or LIVE GREEN HEMP.*

[05/04/2018, 8:41:24 pm] Atmos: *What do u think?*

[05/04/2018, 8:41:40 pm] Atmos: *Made in USA in large fonts.*

⁶ CB7

⁷ CB13

⁸ RA1 page 15

[06/04/2018, 2:08:36 am] Ummar: *Hemp Nation*

[06/04/2018, 2:09:28 am] Ummar: *Hemp State. Cali's finest*

[06/04/2018, 2:09:45 am] Atmos: *I like*

45. At the hearing Ms Blythe argued that while there is evidence that Rangzaib Akhtar suggested other names in the WhatsApp correspondence, there is no evidence to suggest that he came up with the name 'SUN STATE HEMP'.

46. As can be seen from the above, whilst Rangzaib Akhtar did not suggest the exact name 'SUN STATE HEMP', the names he suggested, specifically 'HEMP NATION' and 'HEMP STATE. CALI'S FINEST', are closer to 'SUN STATE HEMP' than the names Mr Benassayag had in mind, i.e. 'LIVE GREEN CBD' or 'LIVE GREEN HEMP'. In those circumstances, it is likely that the names proposed by Rangzaib Akhtar gave Mr Benassayag a new direction concerning the brand he was trying to create compared to Mr Benassayag's earlier thinking.

47. Mr Marden correctly said at the hearing that there is nothing in the evidence that confirms without doubt that one party or the other created the name 'SUN STATE HEMP'. But even if the opponent created the name, it would not be fair to say that Rangzaib Akhtar's suggestion played no part in that creative process.

48. I can now turn to apply those facts to the issue I have to decide.

Section 5(4)(a)

49. Section 5(4)(a) states:

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

(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, where the condition in subsection (4A) is met,

(aa) [...]

(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.”

50. Subsection (4A) of Section 5 states:

“(4A) The condition mentioned in subsection (4)(a) is that the rights to the unregistered trade mark or other sign were acquired prior to the date of application for registration of the trade mark or date of the priority claimed for that application.”

51. In *Discount Outlet v Feel Good UK*, [2017] EWHC 1400 IPEC, Her Honour Judge Melissa Clarke, sitting as a deputy Judge of the High Court, conveniently summarised the essential requirements of the law of passing off as follows:

“55. The elements necessary to reach a finding of passing off are the ‘classical trinity’ of that tort as described by Lord Oliver in the *Jif Lemon* case (*Reckitt & Colman Product v Borden* [1990] 1 WLR 491 HL, [1990] RPC 341, HL), namely goodwill or reputation; misrepresentation leading to deception or a likelihood of deception; and damage resulting from the misrepresentation. The burden is on the Claimants to satisfy me of all three limbs.

56. In relation to deception, the court must assess whether “*a substantial number*” of the Claimants’ customers or potential customers are deceived, but it is not necessary to show that all or even most of them are deceived (per *Interflora Inc v Marks and Spencer Plc* [2012] EWCA Civ 1501, [2013] FSR 21).”

52. Halsbury’s Laws of England Vol. 97A (2021 reissue) provides further guidance with regard to establishing the likelihood of deception. In paragraph 636 it is noted (with footnotes omitted) that:

“Establishing a likelihood of deception generally requires the presence of two factual elements:

- (1) that a name, mark or other distinctive indicium used by the claimant has acquired a reputation among a relevant class of persons; and
- (2) that members of that class will mistakenly infer from the defendant's use of a name, mark or other indicium which is the same or sufficiently similar that the defendant's goods or business are from the same source or are connected.

While it is helpful to think of these two factual elements as two successive hurdles which the claimant must surmount, consideration of these two aspects cannot be completely separated from each other.

The question whether deception is likely is one for the court, which will have regard to:

- (a) the nature and extent of the reputation relied upon,
- (b) the closeness or otherwise of the respective fields of activity in which the claimant and the defendant carry on business;
- (c) the similarity of the mark, name etc used by the defendant to that of the claimant;
- (d) the manner in which the defendant makes use of the name, mark etc complained of and collateral factors; and
- (e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.

In assessing whether deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action”.

The Relevant Date

53. The date for assessing a passing off claim in opposition proceedings is typically the date that the opposed application was filed, in this case 5 August 2019. The opponent has not filed any evidence of use, so there is no evidence supporting an earlier relevant date.⁹

Goodwill

54. Goodwill was described in *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217 (HOL) in the following terms:

“What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start.”

55. In *South Cone Incorporated v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* [2002] RPC 19 (HC), Pumfrey J. stated:

“27. There is one major problem in assessing a passing of claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the registrar is entitled to be presented with evidence which at least raises a prima facie case that the opponent's reputation extends to the goods comprised in the applicant's specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under s.11 of the 1938 Act (see *Smith Hayden & Co. Ltd's Application (OVAX)* (1946) 63 R.P.C. 97 as qualified by *BALI Trade Mark [1969] R.P.C. 472*). Thus the evidence will include evidence from the trade as to reputation;

⁹ *Advanced Perimeter Systems Limited v Multisys Computers Limited*, BL O-410-11

evidence as to the manner in which the goods are traded or the services supplied; and so on.

28. Evidence of reputation comes primarily from the trade and the public, and will be supported by evidence of the extent of use. To be useful, the evidence must be directed to the relevant date. Once raised, the applicant must rebut the prima facie case. Obviously, he does not need to show that passing off will not occur, but he must produce sufficient cogent evidence to satisfy the hearing officer that it is not shown on the balance of probabilities that passing off will occur.”

56. However, in *Minimax GmbH & Co KG v Chubb Fire Limited* [2008] EWHC 1960 (Pat) Floyd J. (as he then was) stated that:

“[The above] observations are obviously intended as helpful guidelines as to the way in which a person relying on section 5(4)(a) can raise a case to be answered of passing off. I do not understand Pumfrey J to be laying down any absolute requirements as to the nature of evidence which needs to be filed in every case. The essential is that the evidence should show, at least prima facie, that the opponent's reputation extends to the goods comprised in the application in the applicant's specification of goods. It must also do so as of the relevant date, which is, at least in the first instance, the date of application.”

57. In *Hart v Relentless Records* [2002] EWHC 1984 (Ch), Jacob J. (as he then was) stated that:

“62. In my view the law of passing off does not protect a goodwill of trivial extent. Before trade mark registration was introduced in 1875 there was a right of property created merely by putting a mark into use for a short while. It was an unregistered trade mark right. But the action for its infringement is now barred by s.2(2) of the Trade Marks Act 1994. The provision goes back to the very first registration Act of 1875, s.1. Prior to then you had a property right on which you could sue, once you had put the mark into use. Even then a little time was needed, see per Upjohn L.J. in BALI Trade Mark [1969] R.P.C. 472. The whole

point of that case turned on the difference between what was needed to establish a common law trade mark and passing off claim. If a trivial goodwill is enough for the latter, then the difference between the two is vanishingly small. That cannot be the case. It is also noteworthy that before the relevant date of registration of the BALI mark (1938) the BALI mark had been used “but had not acquired any significant reputation” (the trial judge's finding). Again that shows one is looking for more than a minimal reputation.”

58. During her oral submissions Ms Blythe approached the matter as follows. She said that there are two factual issues to be determined, the first being the nature of the relationship between the various parties, and the second being who is the owner of the UK goodwill in the ‘SUN STATE HEMP’ brand. According to Ms Blythe, once those factual issues are determined, in many respects, the outcome of the opposition follows. Whilst I understand the importance of the parties’ arguments on these points, there is a complete lack of evidence about when the sales of the ‘SUN STATE HEMP’ products imported in the UK by the applicant took place. It is convenient to deal with this aspect of the evidence first.

59. As the opponent is the party who brought the claim for passing off, it has the onus of proving that it owned the necessary goodwill at the relevant date. However, before proving that it owns the goodwill, the opponent must prove that there was goodwill attached to the name ‘SUN STATE HEMP’. In other words, the ownership of goodwill becomes a relevant question only if the opponent proves that goodwill had been generated in a business distinguished by the sign ‘SUN STATE HEMP’ in the UK by the relevant date.

60. In this case, there is no evidence whatsoever as to whether, when or how the goods were sold by the applicant (and/or the applicant’s companies) in the UK. Whilst I appreciate that it would not have been easy for the opponent to provide such evidence (because once the goods were shipped from the USA to the UK, the opponent had no control over who the goods were sold to), the opponent made no attempt to provide a figure for the quantity and/or value of the goods sold to the applicant under the brand ‘SUN STATE HEMP’ prior to the relevant date. Simply

providing a selection of invoices does not, on any view, amount even to an attempt to provide the appropriate details.

61. As regards the evidence filed, it suffers from the following deficiencies:

(a) First, although some of the invoices exhibited feature the brand 'SUN STATE HEMP', as I commented above, it is clear that they include goods sold under other brands. The value of the goods which clearly show the brand 'SUN STATE HEMP' in the product description is \$3,750, \$3,135 and \$44,805.50 with a total of \$51,690.50. Further, the images of the products on the first column of the invoices are of such a bad quality that the labels are not legible and there is nothing which enable me to conclude that any of the remaining (unbranded) goods listed on the invoices were actually branded 'SUN STATE HEMP';

(b) Second, the evidence establishes that the applicant re-sold the goods purchased from the opponent not just in the UK but in the EU as well. Consequently, it is not simply a case of the products being imported by a trader who sells goods only in the UK. There is no information about how the applicant's sales were split between the UK and the EU.

62. The most the evidence establishes is that the opponent sold \$51,690.50 worth of goods to the applicant under the brand 'SUN STATE HEMP', but it is impossible to know what proportion of these goods were actually re-sold by the applicant in the UK (rather than the EU) prior to the relevant date.

63. At the hearing Ms Blythe said that although in its counterstatement the applicant denied that the opponent has any goodwill, by claiming that it is the owner of the goodwill in the sign 'SUN STATE HEMP'¹⁰ the applicant admitted that there was goodwill in the sign. In its counterstatement the applicant stated:

Section 5(4)(a) - The Applicant denies that the Opponent has any goodwill in the UK in the sign SUN STATE HEMP. The Opponent is put to proof of this claim. The Applicant will comment further upon receipt of the Opponent's evidence.

¹⁰ Applicant's skeleton arguments

64. In his skeleton argument Mr Marsden stated:

“The goodwill existing in the sign SUN STATE HEMP belongs to the Applicant by virtue of UK sales of the branded products”.

65. Clearly, in its defence, the applicant put the opponent to proof of use of its claim that it had goodwill in the UK at the relevant date.

66. The fact that the applicant subsequently claimed that it is the owner of the goodwill existing in the sign ‘SUN STATE HEMP’ does not equate to an admission that the opponent had the necessary goodwill in the UK at the relevant date. Equally, the applicant’s statement cannot be relied upon by the opponent in order to exonerate itself from providing clear evidence on the matter. Even if the claim that the applicant owns the goodwill in the sign ‘SUN STATE HEMP’ might imply that, at some point in time, there was goodwill in the UK, it is not an admission that that (a) the goodwill existed at the relevant date and (b) the goodwill that existed at the relevant date was more than trivial and sufficient to sustain the opponent’s claim for passing off.

67. I therefore reject the opponent’s claim that the first element of passing off, namely the existence of the necessary goodwill at the relevant date, is established by admission. Further, since there is no indication of the value and/or volume of the goods which the applicant had sold in the UK under the brand ‘SUN STATE HEMP’ prior to the relevant date, the opponent’s evidence does not establish that there was sufficient goodwill in the brand at the relevant date. It follows that the question about the ownership of the goodwill becomes redundant.

68. If I am wrong on this point, I will go on to consider the claim that the ownership of the goodwill (if it existed) rested with the opponent.

69. The opponent’s case is that any goodwill generated by the applicant accrued to the opponent itself because the opponent is the creator of the brand ‘SUN STATE HEMP’ and the applicant acted as a UK distributor for the opponent’s goods.

70. *Wadlow on the Law of Passing Off* 6th Ed. contains the following helpful guidance as to the ownership of goodwill as between manufacturers and distributors when there is no agreement covering the ownership of goodwill:

“3-293 The factors which influence the ownership of goodwill were encapsulated by Lord Reid in *Oertli v Bowman* [[1959] R.P.C. 1, 7 HL]:

“Bowmans made and marketed the *Turmix* machines without the appellants [plaintiffs] having controlled or having had any power to control the manufacture, distribution or sale of the machines, and without there having been any notice of any kind to purchasers that the appellants had any connection with the machines.”

3-294 There are two distinct, and not necessarily consistent, standards in this passage. One is to ask who is in fact most responsible for the character or quality of the goods; the other is to ask who is perceived by the public as being responsible. The latter is (perhaps surprisingly) the more important, but it does not provide a complete answer to the problem because in many cases the relevant public is not concerned with identifying or distinguishing between the various parties who may be associated with the goods. If so, actual control provides a less decisive test, but one which does yield a definite answer.

3-295 To expand, the following questions are relevant as to who owns the goodwill in respect of a particular line of goods, or, *mutatis mutandis*, a business for the provision of services: (1) Are the goods bought on the strength of the reputation of an identifiable trader? (2) Who does the public perceive as responsible for the character or quality of the goods? Who would be blamed if they were unsatisfactory? (3) Who is most responsible in fact for the character or quality of the goods? (4) What circumstances support or contradict the claim of any particular trader to be the owner of the goodwill? For example, goodwill is more likely to belong to the manufacturer if the goods are distributed through more than one dealer, either at once or in succession. If more than one manufacturer supplies goods to a dealer and they are indistinguishable, the

dealer is more likely to own the goodwill. [See *Gromax v Don & Low* [1999] R.P.C. 367 (Lindsay J)]”.

71. Further, in *MedGen Inc v Passion for Life*,¹¹ the High Court stated:

“49. [...] 5. As such, goodwill is local in character. Goodwill in relation to a business carried on in the UK attaches to that business. It is nevertheless legally and factually possible for a business based overseas to acquire a goodwill in this country by the supply of its products through an agent, licensee or distributor. Whether it does so or not depends on the facts of the case, in particular, what was done and by whom. With whom do the relevant members of the public associate the name and get-up? Are they concerned with the quality and price of the product or the original source of the product?

6. Given that there is no rule of law or presumption of fact which says that the goodwill generated by the trading activities of a wholly owned subsidiary belongs to the parent or is the subject of any kind of licence, the same must apply with just as much force to the trading activities of an independent exclusive distributor.

7. In *Scandecor*, the Court of Appeal concluded that the judge had correctly appreciated the local nature of the relevant goodwill acquired by the company actually carrying on the business in the UK and to goods marketed by that company in the UK. According to the Court of Appeal, however, he fell into error in assigning a separate goodwill to the foreign publisher who had not carried on any trading or marketing activities in this country. He was wrong to assign such goodwill to it based on the trading activities of a wholly-owned subsidiary or an authorised agent or distributor. This was so even though the UK company had taken certain steps to emphasise its connection with the foreign publisher.

50.[...] 3. Mr Lord submits that in Wadlow, *The Law of Passing Off*, 2nd edition, there is a suggestion at para. 2.57 that there is a presumption that goodwill

¹¹ [2001] FSR 30

belongs to a foreign business in a case such as this. I cannot accept this. What the learned author in fact says is:

“... if the foreign business is represented by a legally distinct person of whatever capacity then the goodwill will in general belong to the foreign business rather than its local representative provided that the foreign business is recognised as the ultimate source of the goods . (Emphasis added).

Admittedly, he goes on to say:

“Problems have arisen when an English business imports and sells the goods of a foreign business ... [The] normal rule is that the goodwill belongs to the foreign business as the ultimate source of the goods unless there are circumstances to displace this presumption.”

This passage must, however, be read in the light of the previous passage which I have quoted and of course bearing in mind the Court of Appeal’s caution in *Scandecor* that these questions are always ones of fact. Indeed, the author goes to say (at para. 2.59):

“... circumstances may point to the goodwill being owned by the English business to the exclusion of the foreign manufacturer. This is likely if the foreign origin is concealed and the English company held out as the ultimate source of the goods.”

[...]

The Facts of this Case

51. Applying these general principles to the facts of this case, in my judgment the goodwill in the name “Snorenz” and in the redesigned packaging belonged exclusively to Pfl, for the following reasons:

1. MedGen carried on no business in the United Kingdom.

2. The packaging in which the product was sold carried no reference to MedGen nor any reference to the product having been developed by or produced for MedGen.
3. In contrast, the whole business of the marketing and sale of the product was carried out by Pfl. The references on the label packaging and in advertisements were exclusively to Pfl.
4. Self-evidently, and as confirmed by the limited evidence, the wholesale or retail trade would only know Pfl as the source for the product. It was to Pfl that such traders would go for the product. In the event of any defect or problem, it would have been to Pfl and not to MedGen that the wholesaler or retailer would have turned. There is no evidence that retail traders either:

1. Knew that MedGen was the developer of the product or responsible for its manufacture; or
2. Cared who had developed it or who was responsible for its manufacture.

5. Similar remarks, with perhaps even greater force, can be made about the purchasing members of the ordinary public. So far as they were concerned, their reasons for buying the product would either have been:

1. The advertisements or product references effected by Pfl, which for the most part carried Pfl's name; or
2. Their satisfaction with the product, which again carried Pfl's name. I think it is reasonable to infer that members of the public who made successive purchases would only be concerned that the next bottle which they purchased would be of the same quality as the last. In order to obtain further supplies, they would either contact Pfl using the contact details on the package, or look for it in the shops by reference to the name Snorenz and the packaging.

In either case, there is no evidence that they would be concerned as to who had been responsible for the original development of the product or as to

who had manufactured the product. On the contrary, I think it can be inferred that they would be indifferent to these things. If the product failed to live up to their expectations, they would have blamed Pfl. There is no evidence that anyone actually took up Pfl's "Money back guarantee", but if they had done so, it would only have been to Pfl that they could have looked for their money."

72. In support of the opponent's case Ms Blythe relied on the following points:

- A. That the opponent manufactured the goods sold under the brand 'SUN STATE HEMP';
- B. That the opponent had control over the design and creation of the branding 'SUN STATE HEMP' and applied that branding to the products. In this connection, the opponent relies on the following facts (i) that the packaging states "Made in the USA" – this is said to inform consumers that the ultimate party responsible for the products is a US entity, not the UK distributor; (ii) that the opponent tailored the packaging for the UK market based on input from the applicant – this is said to mean that the opponent had ultimate control over the packaging and (iii) that the opponent provided a marketing video and photographs for use by the applicant;
- C. That it was the opponent that came up with the name 'SUN STATE HEMP' and the logo;
- D. That the opponent's website www.sustatehemp.com is the primary website for the brand and was created before the applicant's website www.sustatehemp.co.uk. It is also claimed that (i) the applicant's website contains the words "Made in the USA" and a banner indicating that the products have been featured on US TV channels; (ii) the US Food and Drugs Association appears on the footer of the applicant's website and (iii) the applicant's website features the opponent's logo in relation to which the opponent owns the copyright;
- E. That the opponent sold the 'SUN STATE HEMP' branded products to the applicant who imported the products in the UK and that the applicant did not source products from other manufacturers;

- F. That the opponent supported the applicant's company by providing leads to new UK based customers and subsidised the marketing of the opponent's products for example by paying exhibition costs;
- G. That prior to supplying the 'SUN STATE HEMP' branded products, the opponent had supplied goods under other brands owned by the opponent. That supply was as brand owner/distributor, not as manufacturer/brand owner, and the relationship brand owner/distributor had already been established;
- H. That in July 2019 when the relationship was breaking down, the opponent made it clear to the applicant in writing that he was only a distributor. I have reproduced the relevant statement below:

You are continuously making false statements and claims to the industry and to our customers. We need this to stop immediately.

You are only a DISTRIBUTOR. Nothing else.

73. As regard **point H**, Ms Blythe accepted at the hearing that since the statement that the applicant was only a distributor was made when the relationship was breaking down, it could have been self-serving. As regard points **A, E and G**, the fact that the applicant might have purchased goods under other brands owned by the opponent and/or that the applicant did not source goods from other suppliers are not determinative of whether the opponent owned the goodwill. As regard **point C**, even if the opponent came up with the name 'SUN STATE HEMP' it does not necessarily mean that it owns the goodwill in the UK. Equally, the fact that the opponent provided marketing material and leads to new UK based consumers and subsidised the marketing of the products in the UK (**points F and B**) and the fact that applicant's website might be a carbon copy of the opponent's website (**point D**) have no relevance on the issue of who owns the goodwill in the name 'SUN STATE HEMP'. This is because as the case-law set out above makes plain, I must look at the matter from the perspective of the UK consumers taking into account the information the UK consumers would have been exposed to when purchasing the goods and services based on the packaging or the other circumstances surrounding the sales.

74. As regard the packaging, the opponent's evidence also includes copies of text messages between the applicant and the aforementioned individual called Fabian from the opponent's company. I reproduce the context of the messages below:¹²

9/26/18, 12:07 PM - Harris (Zeb): Lab reports and labels to put on products with the Evo wholesale address and contact number. I saved the address on your what's app to me

9/26/18, 12:08 PM - Fabian: Charley is taking care of that. The labs were already informed and are currently working on it.

9/26/18, 12:08 PM - Harris (Zeb): This is the address - all of our products need this address on there

1/30/19, 4:14 AM - Harris (Zeb): Also on the address label you sent yesterday you still haven't corrected the postcode

1/30/19, 4:14 AM - Harris (Zeb): It should be BD4 7LN

1/30/19, 4:15 AM - Harris (Zeb): Not BD4 72N

75. The opponent's evidence also includes copy of an email dated 13 May 2019 between the applicant and an employee of the opponent's companies called Alex discussing changes to be made to a label.¹³ The email was sent from sunstatehemp@hotmail.com so it is likely to refer to 'SUNSTATE HEMP' branded products. In the email, the applicant asked to make the following changes to neon gummy labels (emphasis added):

- **"Manufactured in the USA** in a GMP compliant facility. Meeting the very high standards in production and quality control";
- **"Distributed by EVO WHOLESale LTD 75 Bowling Hall Road BD4 7LN** info@sunstatehemp.co.uk and www.sunstatehemp.co.uk."

76. Although there is no evidence of labels, based on the above, it is reasonable to conclude that the packaging in which the 'SUN STATE HEMP' products were sold carried no reference to the opponent. Further, the opponent is a foreign manufacturer with no business in the UK and there is no evidence of the products being sold in the UK through other distributors. Equally, there is no evidence of the marketing material carrying any reference to the opponent and it is not clear how visible the reference to the opponent was when the brand was promoted at trade shows in the UK.

¹² CB6

¹³ CB7 page 7

77. The opponent also filed copies of webpages from the applicant's website at www.sunstatehemp.co.uk¹⁴. The contact page for customers shows only the applicant's details as follows:

SUPPORT

For email support info@sunstatehemp.co.uk

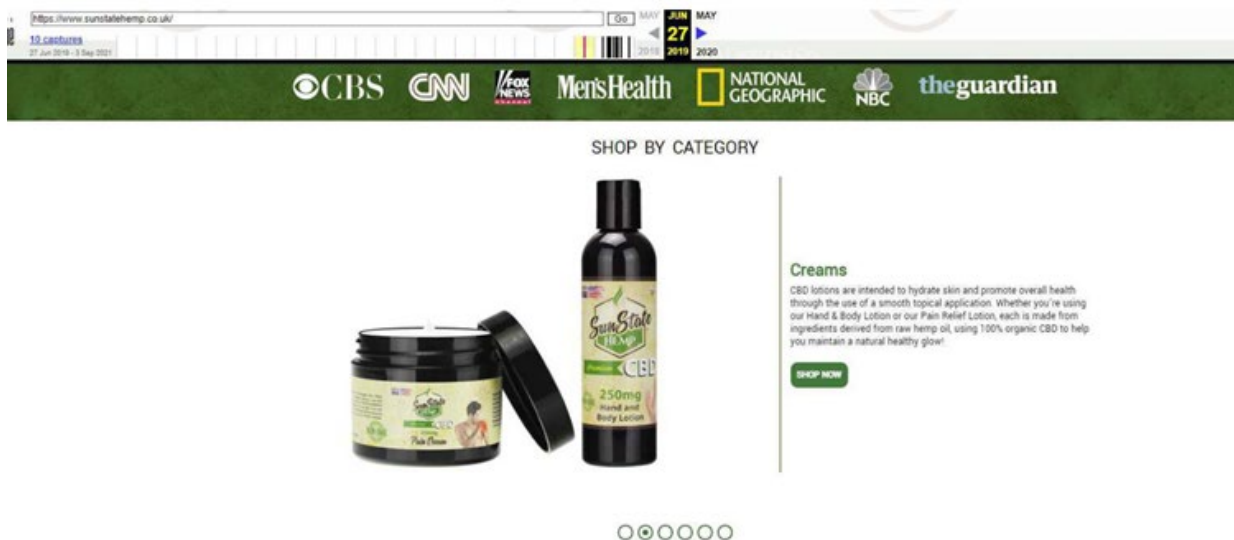
Evo Wholesale Ltd T/A Sun State Hemp UK, registered in England with company number: 10225878
Disclaimer: This product is a FOOD SUPPLEMENT and it is not intended to be used as medicine.

78. Ms Blythe argued at the hearing that the packaging and the website clearly states "Made in the USA" illustrating that an American business is behind the products and that the website also places an emphasis on the US market by referencing US television channels and referencing the US Food and Drug Administration:¹⁵



¹⁴ CB10

¹⁵ CB14



79. Mr Marsden observed that whilst the fact that the products are made in the USA may sometimes be used promotionally, that does not mean that customers will understand that the brand is a US brand. Mr Marsden also made the point that millions of products are made in China, but people do not associate the goodwill of those products with the Chinese manufacturing company. Ms Blythe said that Mr Marsden's comparison was not on all fours with the opponent's case because the words "Made in USA" are very prominent, and consumers will understand that it is a USA brand *"from Florida where all the great hemp products come from because it is legal in some of these states"*.

80. I think that the words "Made in the USA" will be taken for what they are, namely that the products are manufactured in the USA. Although the packaging contains the words "distributed by" and so it refers to the applicant as a distributor, there is no evidence that consumers knew that the opponent is the manufacturer of the products and or they cared about who had developed the products. Ms Blythe's argument on this point was that it did not really matter that consumers may have not seen the name of the American company because the evidence establishes that the relevant public was fully aware that the ultimate source of the goods was an American company. She relies on the following passage from Wadlow (emphasis added):

"Foreign businesses and their representatives

3-319. A foreign business may have a goodwill in the jurisdiction even though it may not trade here in its own right. As the Court of Appeal acknowledged in *Scandecor v Scandecor*:

“We accept that, in an appropriate case, it is legally and factually possible for a business based overseas to acquire a goodwill in this country by the supply of its products or services through a subsidiary, agent or licensee. Whether or not that occurs must depend on the facts of the particular case.”

3-320 It is sufficient that customers for its goods are to be found here, whether or not the foreign business is in direct contractual relations with them.

In particular, if the foreign business is represented by a legally distinct person of whatever capacity then the goodwill will in general belong to the foreign business rather than its local representative provided that the foreign business is recognised as the ultimate source of the goods. It is not necessary, or common, for the relationship to be one of agency in the strict legal sense.

3-321. Problems have arisen when an English business imports and sells the goods of a foreign business. Several authorities have held the goodwill to belong to the English business, apparently on the assumption that a foreign business can have no goodwill in England unless it trades here in its own right or through an agent as such. This is certainly wrong. The normal rule is that the goodwill belongs to the foreign business as the recognised ultimate source of the goods unless there are circumstances to displace this presumption. No one suggests that the eponymous owner of “Quine’s Diner” in Canterbury ever had any interest in the UK goodwill attaching to American “Budweiser” beer, although he was once the first and only source of supply in this country. The same question may arise, though less frequently in the decided cases, where all the traders concerned are domestic. Whether the manufacturer of the goods is abroad or not is irrelevant if they have a market in this country, and ownership of goodwill as between the various parties in the chain ought to be decided in the same way irrespective of national boundaries.

3-322. This section discusses the problem mainly in terms of foreign and English businesses because most of the authorities do so. The relevant English goodwill most clearly belongs to the foreign business if the foreign business is in fact predominantly responsible for the character or quality of the goods and the English business is held out as representing the foreign one, either expressly or by implication. On general principles it is unnecessary for the foreign business to be known by name, provided its existence is known or assumed. The most important factor would appear to be the state of the public mind. So, if the public attributes the goods to the foreign business, then it may not matter that the foreign business does not manufacture them, and may exercise less control over the local business or the goods themselves than the public may suppose.”

81. The above passage says that it is unnecessary for the foreign business to be known by name if the English business is held out as representing the foreign one. However, that is not the case here. As I have explained above the applicant’s company is the only company with whose name the goods are marked. Second, the applicant traded in the UK in its own right and did not hold itself out as representing the opponent’s business, so the existence of the opponent could not have been known or assumed by those who purchased the products from the applicant.

82. Finally, Ms Blythe relied on the evidence showing that the opponent was contacted by a number of potential UK distributors¹⁶ in relation to ‘SUN STATE HEMP’ products. However, the relevant public consists of consumers of the goods, (whether or not they are immediate customers of the applicant, for example the applicant could sell the goods in his own shops and/or distribute the goods to retailers who sell them to the public) and does not include potential distributors. Consequently, the fact that the opponent received a number of enquiries by businesses who were interested in distributing the opponent’s products in the UK does not mean that the opponent had goodwill in the UK with respect to the relevant public.

¹⁶ CB4

83. Taking all of the above into account my conclusion is that if any goodwill existed, it accrued to the applicant because the UK consumers who had purchased the goods and services from the applicant would only know the applicant as the source of the product or service and it would have been to the applicant that those consumers or the retailers would have turned.

84. The opponent has failed to establish that it had the necessary goodwill at the relevant date to sustain its claim for passing off. The opponent's claim under Section 5(4)(a) fails at the first hurdle.

Section 3(6)

85. Section 3(6) of the Act states:

“(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

86. In *Sky Limited & Ors v Skykick, UK Ltd & Ors*, [2021] EWCA Civ 1121 the Court of Appeal considered the case law from *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*, Case C-529/07 EU:C:2009:361, *Malaysia Dairy Industries Pte. Ltd v Ankenævnetfor Patenter Varemærker* Case C-320/12, EU:C:2013:435, *Koton Mağazacılık Tekstil Sanayi ve Ticaret AŞ*, Case C-104/18 P, EU:C:2019:724, *Hasbro, Inc. v EUIPO, Kreativni Dogaaji d.o.o. intervening*, Case T-663/19, EU:2021:211, *pelicantravel.com s.r.o. v OHIM, Pelikan Vertriebsgesellschaft mbH & Co KG (intervening)*, Case T-136/11, EU:T:2012:689, and *Psytech International Ltd v OHIM, Institute for Personality & Ability Testing, Inc (intervening)*, Case T-507/08, EU:T:2011:46. It summarised the law as follows:

“68. The following points of relevance to this case can be gleaned from these CJEU authorities:

1. The allegation that a trade mark has been applied for in bad faith is one of the absolute grounds for invalidity of an EU trade mark which can be relied

on before the EUIPO or by means of a counterclaim in infringement proceedings: *Lindt* at [34].

2. Bad faith is an autonomous concept of EU trade mark law which must be given a uniform interpretation in the EU: *Malaysia Dairy Industries* at [29].
3. The concept of bad faith presupposes the existence of a dishonest state of mind or intention, but dishonesty is to be understood in the context of trade mark law, i.e. the course of trade and having regard to the objectives of the law namely the establishment and functioning of the internal market, contributing to the system of undistorted competition in the Union, in which each undertaking must, in order to attract and retain customers by the quality of its goods or services, be able to have registered as trade marks signs which enable the consumer, without any possibility of confusion, to distinguish those goods or services from others which have a different origin: *Lindt* at [45]; *Koton Mağazacılık* at [45].
4. The concept of bad faith, so understood, relates to a subjective motivation on the part of the trade mark applicant, namely a dishonest intention or other sinister motive. It involves conduct which departs from accepted standards of ethical behaviour or honest commercial and business practices: *Hasbro* at [41].
5. The date for assessment of bad faith is the time of filing the application: *Lindt* at [35].
6. It is for the party alleging bad faith to prove it: good faith is presumed until the contrary is proved: *Pelikan* at [21] and [40].
7. Where the court or tribunal finds that the objective circumstances of a particular case raise a rebuttable presumption of lack of good faith, it is for the applicant to provide a plausible explanation of the objectives and commercial logic pursued by the application: *Hasbro* at [42].

8. Whether the applicant was acting in bad faith must be the subject of an overall assessment, taking into account all the factors relevant to the particular case: *Lindt* at [37].
9. For that purpose it is necessary to examine the applicant's intention at the time the mark was filed, which is a subjective factor which must be determined by reference to the objective circumstances of the particular case: *Lindt* at [41] – [42].
10. Even where there exist objective indicia pointing towards bad faith, however, it cannot be excluded that the applicant's objective was in pursuit of a legitimate objective, such as excluding copyists: *Lindt* at [49].
11. Bad faith can be established even in cases where no third party is specifically targeted, if the applicant's intention was to obtain the mark for purposes other than those falling within the functions of a trade mark: *Koton Mağazacılık* at [46].
12. It is relevant to consider the extent of the reputation enjoyed by the sign at the time when the application was filed: the extent of that reputation may justify the applicant's interest in seeking wider legal protection for its sign: *Lindt* at [51] to [52].
13. Bad faith cannot be established solely on the basis of the size of the list of goods and services in the application for registration: *Psytech* at [88], *Pelikan* at [54]".

87. According to *Alexander Trade Mark*, BL O/036/18, the key questions for determination in a claim of bad faith are:

- (a) What, in concrete terms, was the objective that the applicant has been accused of pursuing?

(b) Was that an objective for the purposes of which the contested application could not be properly filed? And

(c) Was it established that the contested application was filed in pursuit of that objective?

88. It is necessary to ascertain what the applicant knew at the relevant date: *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch). Evidence about subsequent events may be relevant, if it casts light backwards on the position at the relevant date: *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Limited and others*, [2009] RPC 9 (approved by the Court of Appeal in England and Wales: [2010] RPC 16). I must therefore consider the actions of the applicant at the relevant date, namely the date he applied for the contested mark, that is 5 August 2019. Further, an allegation of bad faith is a serious allegation which must be distinctly proved, but in deciding whether it has been proved, the usual civil evidence standard applies (i.e. balance of probability). This means that it is not enough to establish facts which are as consistent with good faith as bad faith: *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch).

89. At the hearing Ms Blythe said that if I were to accept the opponent's case on the nature of the relationship between the parties and the ownership of the goodwill, plainly the applicant's filing of the mark was in bad faith because it was an attempt to, effectively, misappropriate the opponent's brand and goodwill and prevent the opponent from trading in the UK.

90. However, Ms Blythe also argued that the opponent's case under Section 3(6) does not necessarily follow the outcome of the Section 5(4)(a) claim and can succeed independently from it. According to Ms Blythe, even if there had been insufficient trade to build up goodwill, there clearly was an intent to trade and, therefore, the applicant was still aware of the opponent's activities.

91. Ms Blythe further relied on two points that support the allegation of bad faith, namely:

- a. the timing of the application. This is said to be indicative and very helpful in showing the intent of the applicant because it is exactly at the time the relationship between the parties was breaking down. According to Ms Blythe, if the applicant was simply seeking to protect a brand that he thought was his own he could, and perhaps should, have done so at a time earlier in the process, but he did not. Instead, the applicant waited until there was a dispute between the parties, and then there was a land-grabbing attempt to claim the brand in the UK as his own by filing the contested application to register the mark 'SUN STATE HEMP' in his name;
- b. the use by the applicant of the opponent's intellectual property rights such as the copyrighted logo and the content of the website, all of which have been copied from the opponent.

92. Mr Marsden argued that because the goodwill is owned by the applicant, there is no bad faith. He also stated that the applicant had always believed that the 'SUN STATE HEMP' was his own brand. According to Mr Marsden, if I were to decide that the opponent is the owner of the goodwill as the brand owner, it would be bad faith for the applicant to have made the application.

93. I do not agree with Mr Marsden that the fact that the goodwill (if it existed) belonged to the applicant means that the applicant had necessarily acted in good faith. This is because the issue of goodwill must be assessed from the perspective of the consumers of the goods (who only knew the applicant's company) whilst the bad faith claim must be assessed taking into account (a) the subjective intention of the applicant at the time of filing, (b) what the applicant knew about his own relationship with the opponent and any potential rights the opponent might have had in the brand, and (c) what the applicant wanted to achieve by registering the mark in the UK.

94. Whatever was the agreement between the parties, it is not credible that the applicant thought he had exclusive rights in the brand 'SUN STATE HEMP' in the UK/EU in the sense that he thought he (or his brother) owned (or co-owned) the brand. The following are in my view indicative of the fact that the brand belonged to the opponent:

- i. the evidence establishes that before the brand 'SUN STATE HEMP' was created, the applicant imported other goods supplied by the opponent under other brands which belonged to the opponent, e.g. ATMOS. The initial relationship between the parties was therefore one of brand owner/distributor;
- ii. All of the invoices exhibited, including those relating to the sales of 'SUN STATE HEMP' products, qualify the sales as "wholesale". Although the applicant might have received a discount on the price of the goods purchased, the trade between the parties was conducted as if they were unrelated companies, not brand partners;
- iii. The labels used for the 'SUN STATE HEMP' goods imported in the UK by the applicant clearly stated 'DISTRIBUTED BY' followed by the name of the applicant's company, which confirms the opponent's version that the applicant was, effectively, a distributor, not the owner (or co-owner) of the brand. In this connection I should mention that at the hearing I granted Mr Marsden's request to be allowed to file evidence of the meaning of 'private label' as the term appears on some of the invoices filed and Mr Marsden relied on it to claim that the opponent supplied 'white label' products to the applicant. Subsequently to the hearing Mr Marsden filed a copy of a Wikipedia extract giving the following definition of 'PRIVATE LABEL': "*Private label products are those manufactured by one company for sale under another company's brand*". In response to this evidence, the opponent filed a witness statement from Lani Castellanos the opponent's Chief Financial Officer dated 7 April 2022. Mr Castellanos states that the term 'private label' is used on some of the invoices only to indicate that they had to make adjustments to the products/labels for them to comply with the UK market. Whilst the term 'private label' may be used as synonymous of 'white label', it is not how it was used on the invoices and the evidence as a whole supports the explanation given by Mr Castellanos. Consequently, I reject Mr Marsden's submission on the point.
- iv. The fact that Rangzaib Akhtar asked Mr Benassayag "*What do you intend to call the brand?*" would suggest that Rangzaib Akhtar recognised that Mr Benassayag was responsible for the choice on the name, i.e. that Mr

Benassayag was working on the development of another brand for the opponent.

95. However, once one considers the circumstances of the case, namely (a) that the applicant's brother provided some suggestions for the name 'SUN STATE HEMP' (which Mr Benassayag took on board) contributing to the creation of the brand; (b) that the brand was effectively created to launch a new line of CBD products and the products were adapted to meet the requirements and demand of the UK market using the applicant's local knowledge and (c) that the opponent relied on the applicant's efforts to market and sell the goods in the UK, it is understandable why the applicant thought that he was more than a distributor, namely a "brand partner" as suggested by a WhatsApp message of 6 July 2019 where Rangzaib Akhtar stated:

[06/07/2019, 2:40:28 pm] Ummar: *"Thought we were friends and partners with Sunstate hemp"*.

96. However, there is no evidence that the applicant or his brother had any final say in relation to the name that was eventually adopted by the opponent or in relation to the launch of the brand in the USA and/or the creation of the US website (from which the applicant's website was copied). My impression is that contrary to the applicant's thinking, the opponent always thought of 'SUN STATE HEMP' as one of its brands, in relation to which the applicant had no proprietor (or co-proprietor) rights.

97. Whilst the applicant might have believed that the parties were 'brand partners', I think a reasonable person in his position would have known that there was no partnership in the brand and that by applying for the mark 'SUN STATE HEMP' in the UK the applicant was effectively misappropriating the opponent's brand. Does the fact that the applicant might have built its own goodwill under the brand make any difference? I do not think it does. This is because the applicant was acting as a distributor, giving the opponent a route to the UK market whilst it was making a profit for himself. He had therefore a fiduciary duty to the opponent (as the brand owner) to act in good faith. In my view, although the fiduciary relationship between the parties was informal, it existed because the applicant's company and the opponent's company had a business relationship of trust and confidence, and the collaboration was based

on a mutual understanding that each company would act for or give advice for the benefit of both its own company and the other, upon matters within the scope of their relation.

98. In one of the emails sent by the opponent after the relationship broke down the opponent stated:

“You have suggested to me that unless we give you what you want you will counterfeit all Sunstate hemp products and that there will be nothing we can do about it. You are mistakenly wrong. We will not be intimidated by any blackmail or extortion”.

98. This might also explain the applicant’s messages which accused the opponent of doing white label work behind their back. What happened in my view is that the parties having fallen out, the opponent might have tried to find other distributors in the UK using the ‘SUN STATE HEMP’ brand, changing the name of the company which distributed the products on the packaging. I think this would be a perfectly reasonable step to take for the owner of the brand. However, by filing an application to register a mark which the applicant knew belonged to the opponent would have prevented the opponent from finding other distributors for their products in the UK and would effectively amount to misappropriation of the brand. In looking at the picture as a whole I consider that the applicant was involved in a conduct which departed from the accepted standards of ethical behaviour or honest commercial and business practices. The application was filed in bad faith.

99. The opposition under Section 3(6) succeeds.

OUTCOME

100. The opposition has been successful under Section 3(6), and the application is refused.

COSTS

101. The opponent has been successful and is entitled to a contribution towards its costs. At the hearing Ms Blythe asked that the costs of the late evidence to be awarded off-the-scale, to reflect the lateness of the request. In my view, although the request was late, it does not justify an award of costs off-the-scale. In the circumstances I award the opponent the sum of £2,200 as a contribution towards the cost of the proceedings. The sum is calculated as follows:

Official fees:	£200
Preparing and filing a notice of opposition and considering the counterstatement:	£300
Filing evidence and considering the other party's evidence:	£700
Late filed evidence:	£300
Attending a hearing	£700
 Total	 £2,200

102. I therefore order Nadeem Akhtar to pay ELH Products LLC trading as SUN STATEHEMP the sum of £2,200. The above sum should be paid within twenty-one days of the expiry of the appeal period or, if there is an appeal, within twenty-one days of the conclusion of the appeal proceedings.

Dated this 22nd day of June 2022

Teresa Perks
For the Registrar