Court of Appeal Considers Relevance of a Crowded Market and Earlier Coexistence Agreements in Determining Likelihood of Confusion Between "Polo Club" Brands

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The Court of Appeal has handed down its judgment on Lifestyle Equities' appeal from a decision of Mellor J that the Royal County of Berkshire Polo Club's use of a polo-themed clothing brands featuring a polo-player-on-horseback logo did not infringe Lifestyle Equities' Beverly Hills Polo Club trade marks.[1]

Arnold LJ, delivering the lead judgment, with which Nugee and Baker LJJ agreed, dismissed both grounds of appeal. The Court of Appeal upheld the findings that a crowded market reduced the distinctive character of the earlier trade mark and highlighted the significance of existing coexistence agreements, when assessing the likelihood of confusion between the marks.

In view of this decision, trade marks owners in a crowded market are in a less good place when enforcing their rights and strong evidence of actual confusion is likely to be necessary for such claims to succeed. This decision may also force businesses to reconsider their decisions to enter into coexistence agreements when similar marks operate in the same market, as these may weaken their position in future conflicts.

Background

The claimants, "Lifestyle Equities", were, respectively, the owner and exclusive licensee of the Beverly Hills Polo Club trade marks, depicted below and registered in various jurisdictions including the UK, primarily for clothing.

They issued proceedings against the Royal County of Berkshire Polo Club (one of the UK's premier polo clubs) and various related parties, alleging trade mark infringement and passing off through the use in particular of the sign set out below (the "allegedly infringing sign") in connection with leisure clothing.

The first instance judgment, extending to over 352 paras and 77 pages, included a thorough analysis of the parties' arguments and evidence, noting the existence of numerous polo-themed brands coexisting in the marketplace. Dismissing the claim, Mellor J concluded that the crowded nature of the market meant consumers were less likely to assume a connection between two brands merely because both included the term "POLO CLUB" and depicted a polo player on horseback. The judge also held that the existence of coexistence agreements which the parties had separately entered into with Ralph Lauren, owner of the Polo Ralph Lauren brand, indicated that the parties were willing to accept the use of similar marks.

Grounds of appeal

Lifestyle Equities appealed Mellor J's decision on two grounds. The first ground was that the judge erred by considering factors extrinsic to the trade marks under comparison when assessing trade mark infringement. Specifically, Lifestyle Equities argued that the judge was

[1] *Lifestyle Equities CV v Royal County of Berkshire Polo Club Ltd* [2024] EWCA Civ 814; [2024] E.C.C. 20.

wrong to consider the existence of other polo-themed trade marks (i.e. the "crowded market") as well as the existence of coexistence agreements the parties had entered into with third parties.

Lifestyle Equities' second ground was that if the first ground succeeded but was insufficient to establish trade mark infringement due to a likelihood of confusion at the point of sale, the judge was wrong to dismiss the likelihood of post-sale confusion.

Decision

The Court of Appeal dismissed the appeal.

The impact of a "crowded market" on a trade mark's distinctive character

While it is well-established that "the more distinctive the earlier mark, the greater will be the likelihood of confusion", Arnold LJ noted that the opposite proposition is equally true: trade marks with less distinctive character enjoy narrower protection than marks with a highly distinctive character.

Lifestyle Equities argued that the existence of a crowded market should not be considered when assessing the distinctive character of their trade mark, and that only the perception of the relevant public at the time the alleged infringing sign was first used should be taken into account. The claimants further argued that, just as the defendants' use of the allegedly infringing sign could not be relied upon to reduce the distinctive character of the earlier mark, by parity of reasoning, neither should the use of similar signs by other third parties.

Arnold LJ disagreed. Third-party use of similar signs was indeed relevant and there was no good reason to discount it. Even if the defendants' use of the mark was ignored, the existence of numerous similar trade marks on the market made the claimants' mark less distinctive. In a crowded market, it was more challenging for one mark to stand out. Therefore, the judge had correctly concluded that the crowded market reduced the distinctive character of the mark.

The relevance of the "crowded market" as part of the context of use of the allegedly infringing sign

It is settled case law that the use of the allegedly infringing sign must be assessed in its context.[2] While this can lead to debates about the extent to which context should be considered, Arnold LJ determined that, since the crowded market was relevant to the distinctive character of Lifestyle Equities' mark, irrespective of how narrowly or broadly the context of the allegedly infringing use was interpreted, the issue of how far context extended did not matter in this particular case.

The relevance of coexistence agreements

Lifestyle Equities argued that the coexistence agreements the parties had with Ralph Lauren Polo only showed the brands being in conflict and should not be taken into account when assessing the likelihood of confusion. The claimants notably relied on the EU General Court decision in *Omega v OHIM*[3] to claim that coexistence agreements are irrelevant to assessing the likelihood of confusion.

Distinguishing *Omega* on the basis that the terms of the agreement in that case were ambiguous, Arnold LJ dismissed Lifestyle Equities' argument. While a coexistence agreement between A and B cannot determine whether or not the public is likely to be confused, it does not render coexistence agreements irrelevant when assessing likelihood of confusion. Coexistence agreements may be part of the factual background that the court considers when making its assessment. If such agreements impact the relevant market, their effects must be taken into account. Even if they do not impact the market, they can still provide insights into what market participants regard as acceptable. If the businesses operating in a specific market agree to coexist peacefully with third parties, this may indicate that the differences between the respective trade marks were considered to be enough to avoid confusion. Such agreements could therefore form part of the overall context that the court must consider when assessing the likelihood of confusion, although Arnold LJ said that caution should be exercised before drawing conclusions drawn from them.

In this case, the judge had found that the coexistence agreements were informative and provided practical insights into the market, but had conducted a separate global assessment without referencing the agreements. This approach was deemed appropriate by the Court of Appeal, and so the claimant's first ground of appeal was dismissed.

Post-sale confusion

The decision on the second ground of appeal was short and sweet. Since this ground was dependent on the first ground, it did not arise. Arnold LJ nevertheless made the point that there could not be a likelihood of post-sale confusion in this case if there was no likelihood of confusion at the point of sale in the first place.

Comment

This decision underscores the importance of submitting convincing evidence in trade mark infringement cases, particularly documents showing the degree of distinctiveness of the earlier right(s) relied upon.

[2] See *O2 Holdings Ltd v Hutchison 3G UK Ltd* (C-533/06) EU:C:2008:339; [2008] E.C.R. I-4231; [2008] 2 C.M.L.R. 14.
[3] *Omega SA v OHIM* (T-90/05) [2007] E.C.R. II-145.

When a trade mark owner operates in a crowded market, it will be more challenging to establish the distinctiveness of its trade marks. The fact that numerous similar marks operate on the market will make the mark, or at least the common elements of the marks under comparison, less distinctive. It seems therefore essential to make efforts to understand how direct competitors, in the same market, are branding themselves. If trade mark infringement proceedings are issued in the context of a crowded market, the case is likely to turn on evidence of actual confusion between the marks or the lack of such evidence.

The decision also highlights the need for caution when entering into coexistence agreements with third parties. Consenting to the use of a similar trade mark, through such agreements, can weaken a trade mark owner's position in future disputes. These agreements may offer guidance to the court on what market participants consider sufficient to avoid confusion, and so their existence may influence the determination of whether there is a likelihood of confusion between trade marks.