

IN THE MATTER OF APPLICATION NO. 2295012 IN THE NAME OF SVM
ASSET MANAGEMENT LIMITED

AND IN THE MATTER OF OPPOSITION NO. 90950 THERETO BY MERLIN
BIOSCIENCES LIMITED

DECISION

Introduction

1. On 9 March 2002 Scottish Value Management Ltd, now known as SVM Asset Management Ltd, applied to register the trade mark MERLIN for services in Class 36. As published for opposition purposes the specification of services was as follows:

financial services in relation to advising on and managing investment funds; financial management; financial investment; investment management services; investment management services on behalf of clients including investment trusts, regulated and unregulated collective investment schemes, pension funds, charitable organisations and institutional and retail investors in the United Kingdom and offshore; discretionary investment management services; investment advisory services; provision of information, advice and consultancy relating to finance and investments; investment and savings scheme product management; interactive and database information services relating to finance and investments; financial services relating to investment and savings capital investment; mutual funds; administration of mutual funds; brokerage services relating to mutual funds; mutual fund management; mutual fund services; provision of pricing information about mutual funds; asset management; unit trust management; fund management; offshore management; investment trust management; investment trust services; unit trust management; unit trust services; unit trust investment; offshore unitised funds; personal equity plan and individual savings account management; personal equity plan and individual savings account investment; financial services relating to personal equity plans and individual

savings accounts; savings scheme services; financial services relating to savings; provision of investment savings plans; financial information services provided by access to a computer database; financial market information services; financial information services relating to individuals; and advice on all of the aforesaid; not including independent financial advisory services.

2. Subsequently the application was opposed by Merlin Biosciences Ltd on grounds raised under section 5(1), 5(2)(a) and 5(4)(a) of the Trade Marks Act 1994.

3. The grounds of opposition under section 5(1) and 5(2)(a) were based upon the opponent's earlier UK Registered Trade Mark No. 2199976A MERLIN registered in respect of the following services in Classes 35 and 36:

Class 35: Provision of business management services; strategic and planning advice to businesses; establishment of personnel and management infrastructures; market studies and market research; business research; business appraisals, enquiries and investigations; information and advisory services relating to the aforesaid; all the aforesaid relating to the pharmaceutical biotechnology and bioscientific sectors.

Class 36: Provision of venture capital to the pharmaceutical biotechnological and bioscientific sectors.

4. The ground of opposition under section 5(4)(a) was based upon the use of the same mark by the opponent and a predecessor in title in relation to its business since December 1995.

5. Evidence was filed by the opponent and by the applicant, but no evidence in reply was filed by the opponent. Neither party requested a hearing, although the opponent filed written submissions. Accordingly the matter was considered by Mr David Landau acting for the Register on the papers. In a written decision dated 24 June 2004 (BL O/181/04) he upheld the opposition with respect to the following services:

financial investment; financial services relating to investment and savings capital investment; investment management services; investment management services on behalf of clients including

investment trusts, regulated and unregulated collective investment schemes, pension funds, charitable organisations and institutional and retail investors in the United Kingdom and offshore; financial services in relation to managing investment funds; fund management; offshore management.

The opposition was dismissed so far as the remaining services were concerned.

6. Both parties have appealed against this decision. The applicant appeals against the refusal of the application so far as it relates to the services set out in the previous paragraph, but it offers to limit its application by two disclaimers as discussed below. The opponent appeals against the dismissal of the opposition in respect of some, but not all, of the remaining services. The opponent does not challenge the hearing officer's decision so far as it relates to the following services:

interactive and database information services relating to finance and investments; personal equity plan and individual savings account investment; financial services relating to personal equity plans and individual savings accounts; savings scheme services; financial services relating to savings; provision of investment savings plans; financial information services provided by access to a computer database; financial market information services; financial information services relating to individuals; and advice on all of the aforesaid; not including independent financial advisory services.

7. On the appeals, both parties exercised their right to an oral hearing and appeared by counsel. The hearing lasted a full day. Thus I was given much greater assistance in reaching my decision than the hearing officer was in reaching his. I would comment that, if cases are as important to parties as this one appears to be, it would be preferable for the parties to give the first instance tribunal the benefit of full argument rather than reserving it for an appeal. If they do not do so, they run the risk that an appeal will not succeed because they are unable to demonstrate an error of principle on the part of the hearing officer.

Relevant provisions of the Trade Marks Act 1994

8. Section 5 of the Trade Mark Act 1994 provided at the relevant times in relevant parts as follows:

5.(1) A trade mark shall not be registered if it is identical with an earlier trade mark and the goods or services for which the trade mark is applied for are identical with the goods or services for which the earlier trade mark is protected.

(2) A trade mark shall not be registered if because-

(a) it is identical to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier mark is protected...

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.

(3) A trade mark which-

(a) is identical with or similar to an earlier trade mark, and

(b) is to be registered for goods or services which are not similar to those for which the earlier trade mark is protected,

shall not be registered if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom (or, in the case of a Community trade mark, in the European Community) and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.

(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....

The hearing officer's decision

9. The hearing officer's decision is a long and detailed decision running to 82 paragraphs. At this stage I shall simply summarise his conclusions. I will consider some of his reasoning in more detail below.

10. With regard to the objection under section 5(1), the hearing officer held that some of the services specified in the applicant's specification were identical to the services specified in the opponent's specification in Class 36, but most were not. He therefore upheld the objection in relation to those services which he had held to be identical.
11. With regard to the objection under section 5(2)(a), the hearing officer held that some additional services specified in the applicant's specification were similar to the services specified in the opponent's specification in Class 36, although the majority were not. In relation to the services which he had held to be similar, he held that there was a likelihood of confusion. He therefore upheld the objection in relation to those services which he had held to be similar.
12. With regard to the objection under section 5(4)(a), the hearing officer held that the opponent had a goodwill and reputation under the mark MERLIN and that the use of the mark by the applicant in relation to further services specified in the applicant's specification would result in passing off, although the use of the mark in relation to the remainder of the services specified would not. He therefore upheld the objection in relation to those services where he had held that use of the mark would result in passing off.

Standard of review

13. This appeal is a review of the hearing officer's decision. As explained by May LJ in *DU PONT Trade Mark* [2003] EWCA Civ 1368, [2004] FSR 15 at [94], the appropriate degree of respect to be accorded to a decision of a lower tribunal on such a review depends on the nature of the tribunal, the evidence and the issue. It is common ground that the hearing officer's decisions with regard to section 5(2)(a) and 5(4)(a) each involved a multi-factorial assessment of the kind to which the approach set out by Robert Walker LJ in *REEF Trade Mark* [2002] EWCA Civ 763, [2003] RPC 5 at [28] applies:

In such circumstances an appellate court should in my view show a real reluctance, but not the very highest degree of reluctance, to interfere in the absence of a distinct and material error of principle.

I consider that less deference is required with respect to a decision under section 5(1), but for reasons that will appear the difference is academic in this case.

The opponent's grounds of appeal

14. The opponent's principal grounds of appeal are as follows. First, that the hearing officer wrongly took too narrow a view as to the scope of the services covered by its registration in Class 36. (Before me the opponent placed no reliance upon its registration in Class 35.) Secondly, that the hearing officer misdirected himself as to the test under section 5(2)(a), in particular by failing to have regard to the interdependency principle. Thirdly, that aspects the hearing officer's decision were inconsistent and/or illogical. Fourthly, that the hearing officer was wrong as to the extent of the opponent's goodwill and reputation in the mark MERLIN. In addition, the opponent sought permission to amend its grounds of opposition to raise an objection under section 5(3).

The applicant's grounds of appeal

15. The applicant's principal grounds of appeal are as follows. First, that the hearing officer wrongly ignored a disclaimer which it had proffered. Secondly, that the hearing officer wrongly speculated as to the similarity of the services covered by the respective registrations in the absence of evidence. Thirdly, that the hearing officer misdirected himself as to the law of passing off, in particular with regard to the question of damage.

The opponent's application to amend

16. It is convenient first to consider the opponent's application for permission to amend its statement of case to contend that the application was objectionable under section 5(3) in relation to similar services. No such application was

made below, although the present case was decided some time after the decision of the European Court of Justice in Case C-292/00 *Davidoff v Gofkid* [2003] ECR I-329. In *Mastercard International Inc v Hitachi Credit (UK) plc* [2004] EWHC 1623 (Ch), [2005] ETMR 10 the applicant was refused permission to amend its statement of case to rely upon section 5(3) in relation to similar goods even though it had pleaded it in relation to dissimilar goods, it had sought permission from the hearing officer and the *Davidoff* decision was closer to the date of the first instance hearing. The case for allowing an amendment here is a considerably weaker one. Counsel for the opponent accepted that it would necessitate remitting the matter to the hearing officer for a further hearing after the applicant had been given the opportunity of adducing evidence to meet the new point. In these circumstances I do not consider that it would be a correct exercise of discretion to permit the amendment.

Disclaimers

17. Next it is convenient to consider the applicant's first ground of appeal. The background to this is as follows.
18. Shortly before the opponent lodged its opposition, the applicant's solicitors wrote to the opponent's then solicitors on 2 August 2002 arguing that there was no likelihood of confusion between the applicant's intended use of the mark MERLIN and the opponent's use of the mark MERLIN. This letter included the following paragraph:
 7. Furthermore, although the dissimilarity between our client's services and those offered by your client, and set out in your client's registration, is clear, so as to more clearly reflect this dissimilarity our client is prepared to expressly restrict the specification of services in its application by the addition of the following words:

'but not including the provision of venture capital'.

This restriction goes considerably beyond the specification of your client's registration in class 36, which restricted to the provision of

venture capital to the pharmaceutical, biotechnological and bioscientific sectors.

19. The applicant's counterstatement attached a copy of this letter and stated that the offer made by the applicant in paragraph 7 of the letter remained open. This point was repeated by Mr McLean of the applicant in a witness statement which constituted the applicant's evidence in answer.
20. The existence of this offer was noted by the hearing officer in his decision at [7], but thereafter he appears to have ignored it. In particular, he does not appear to have taken it into account when assessing whether the services in the two specifications were identical or similar. The applicant contends that he was wrong not to take it into account, and that the disclaimer is both a complete answer to the objection under section 5(1) and material to the objections under section 5(2)(a) and 5(4)(a). The opponent argues that the hearing officer was right not to take the disclaimer into account for two reasons.
21. The opponent's first argument is that the offer was just that, an offer, and that no formal application had been made to amend the application. To this the applicant ripostes that it would not have been a sensible use of resources for it to have filed a form TM21 prior to the hearing officer's decision in case the hearing officer were to decide that further excision from the specification was required, as in the event he did.
22. In my judgment the applicant is right about this and the hearing officer was in error in not taking the disclaimer into account. The offer of the disclaimer was unconditional and reiterated three times by the applicant. The applicant's reason for not filing a TM21 prior to the conclusion of the proceedings is a perfectly sound one. Moreover, there is ample precedent for applicants to proceed in this way: for a recent example see *Land Securities plc's Trade Mark Application* (BL O/339/04) at [10].

23. Before turning to the opponent's second argument, I will set out a second disclaimer which (at my suggestion) the applicant offered at the hearing before me. This is to add the following restriction to the specification:

and not including the provision of any such services to the pharmaceutical biotechnological and bioscientific sectors.

I should make it clear that the final "and" is intended to be disjunctive, and on reflection I consider that it might be better to replace it with the word "or".

24. The opponent's second argument is that both disclaimers are impermissible in the light of the judgment of the European Court of Justice in Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau (POSTKANTOOR)* [2004] ETMR 57. In that case the national court asked *inter alia* whether it was consistent with Council Directive No 89/104/EEC to approximate the law of the Member States relating to trade marks ("the Directive") and the Paris Convention for a sign to be registered for specific goods or services subject to the limitation that the registration only applied in so far as they did not possess certain characteristics, for example registration of the sign POSTKANTOOR (which means "post office") for direct-mail campaign services and the issue of postage stamps provided they were not connected with a post office. The Court replied:

114. ... where registration is applied for in respect of particular goods or services, it cannot be permitted that the competent authority registers the mark only in so far as the goods or services concerned do not possess a particular characteristic.
115. Such a practice would lead to legal uncertainty as to the extent of the protection afforded by the mark. Third parties – particularly competitors – would not, as a general rule, be aware that for given goods or services the protection conferred by the mark did not extend to those products or services having a particular characteristic, and they might thus be led to refrain from using the signs or indications of which the mark consists and which are descriptive of that characteristic for the purpose of describing their own goods.
116. Since the Directive precludes such a practice, there is no need to examine the request for an interpretation of the Paris Convention.

25. In *Croom's Trade Mark Application* [2005] RPC 2 the applicant applied to register the mark McQUEEN CLOTHING CO in respect of "bags" in Class 18 and "trousers for casual wear, T-shirts, sweatshirts, jackets and tops" in Class 25. The application was opposed by the fashion designer Alexander McQueen. The hearing officer upheld the opposition, and the applicant appealed. On the appeal the applicant offered to restrict his specification of goods by adding the words "none being items of haute couture" or "not being items of haute couture". Geoffrey Hobbs QC sitting as the Appointed Person held at [28]-[30] that such a restriction was not permissible in the light of *POSTKANTOOR* since the proposed restriction related to the characteristics (viz. the style and quality) of the goods and not the nature, function or purpose of the goods.
26. In *Oska's Ltd's Trade Mark Application* (BL O/317/04) the applicant applied to register the mark LORNA MORGAN in respect of "clothing, footwear, headgear". The application was opposed by Morgan SA, the proprietor of a chain of high street shops selling clothing under the mark MORGAN. The eponymous Lorna Morgan was a "glamour model" and the applicant argued that the target audience for its goods would not be confused. In the course of allowing an appeal by the opponent I rejected this argument. I added at [56] the parenthetical observation that I did not consider that it would be permissible to limit the specification by reference to the applicant's intended target market in light of *POSTKANTOOR* and *Croom*.
27. In my judgment both of the disclaimers offered by the applicant in the present case are free from objection on this ground since they are not disclaimers framed by reference to the absence of particular characteristics of the services but restrictions on the scope of the services embraced by the specification.
28. This is clearest in the case of the first disclaimer, the effect of which is simply to excise a particular service from the specification. The mere fact that it is more convenient to express it in negative than positive terms does not make it objectionable.

29. The position with regard to the second disclaimer is more debatable, but in my judgment the disclaimer does not relate to a characteristic of the services. I consider that there is a distinction between goods and services here. An article of clothing is an article of clothing regardless of whether it is of a particular style or quality and regardless of the identity and proclivities of the intended purchaser. By contrast, services can be defined in part by the recipient of the service. The opponent's registration is an example of this, since both the Class 35 and the Class 36 specification are limited to services provided to the pharmaceutical biotechnological and bioscientific sectors. In my view *POSTKANTOOR* does not make it impermissible to define services in this way. That being so, I consider that it makes no difference if the definition is expressed negatively rather than positively.

The relative potency of the objections

30. I propose to deal with the objections under section 5(1) and 5(2)(a), and particularly the former, somewhat more briefly than they were argued before me. This is partly due to the impact of the disclaimers. Another reason is that the effect of the hearing officer's decision is that the most potent of the opponent's objections was that under section 5(4)(a). This is because he held that the opponent had a goodwill and reputation which extended beyond the confines of its Class 36 specification. Before me, the opponent sought to argue that the hearing officer had adopted an unduly narrow view of the scope of this specification by reference to the opponent's evidence as to the nature and extent of its business. To my mind this argument served to confirm the correctness of the hearing officer's assessment with regard to the relative potency of the objections.

Section 5(1)

31. In my judgment the applicant is right that the first disclaimer is a complete answer to the objection under section 5(1). It excludes from the applicant's specification those services which are covered by the opponent's Class 36 specification and more.

Section 5(2)(a)

32. It is common ground that the mark sought to be registered by the applicant is identical to the opponent's registered mark. It follows that whether there is a likelihood of confusion within section 5(2)(a) depends on the impact of two things in particular: the distinctiveness of the opponent's mark and the degree of similarity between the services for which the opponent's mark is registered and those for which the applicant seeks registration. The hearing officer's approach was first to consider the question of similarity and then to consider the distinctiveness of the mark.

Similarity of services

33. With regard to the question of similarity of services, the hearing officer directed himself in accordance with the guidance given by Jacob J in *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 296 line 31 to 297 line 5 and by the European Court of Justice in Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* [1998] ECR I-5507 at paragraph 23. He noted that the burden of proof was on the opponent. He also quoted the following statement of the ECJ in *Canon* at paragraph 22:

It is, however, important to stress that, for the purposes of applying Article 4(1)(b), even where a mark is identical to another with a highly distinctive character, it is still necessary to adduce evidence of similarity between the goods or services covered.

The hearing officer observed that there was little evidence as to the similarity or otherwise of the respective services. In particular, neither party had filed expert evidence of the kind discussed in *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 40 at [53]-[54].

34. In the absence of such evidence, the hearing officer's conclusion after a detailed comparison between the respective specifications was that the only services covered by the application's specification which were similar to those

covered by the opponent's specification were the following (I include for this purpose those which he had already held to be identical):

financial investment; financial services relating to investment and savings capital investment; investment management services; investment management services on behalf of clients including investment trusts, regulated and unregulated collective investment schemes, pension funds, charitable organisations and institutional and retail investors in the United Kingdom and offshore.

35. The applicant contends that in reaching this conclusion the hearing officer speculated without any proper evidential foundation. In my judgment this criticism is unfounded. Due to the state of the evidence, the hearing officer was very cautious about finding similarities. He was entitled to rely upon his own judgment and experience as well as such evidence as there was in reaching the conclusions that he did. He did not purport to take judicial notice of anything which it would be improper to take judicial notice of. Nevertheless I do not share the hearing officer's view as to "financial services relating to savings capital investment", which appears to me to be akin to some of the services in respect of which the opponent has not appealed.
36. The applicant also contends that the hearing officer's conclusion cannot stand once the disclaimers are taken into account. So far as the first disclaimer is concerned, I doubt that this makes a great deal of difference to the question of similarity as opposed to identity. The second disclaimer was not offered before the hearing officer, and I shall consider its impact below.
37. The opponent contends that the hearing officer took too narrow a view of the scope of its Class 36 specification. In particular the opponent argues that he should have held that it extended beyond pure investment to advice and management. As I have said, this argument was based upon the opponent's evidence as to its own business. As the hearing officer noted, however, there was no evidence as to whether or not the opponent's business is typical of those who provide venture capital. In any event, it seems to me that the hearing officer took a fairly generous view of what was encompassed by the words "provision of venture capital".

38. The opponent also contends that the hearing officer took too narrow a view of what services were similar, and in particular that his reasoning was inconsistent and/or illogical. For example, he held that “investment management services” were similar (and hence objectionable under section 5(2)(a)) but not “discretionary investment management services” although the former would appear to embrace the latter. In my view there is force in this contention, although I have considerable sympathy for the difficulty the hearing officer faced in dealing with the applicant’s very long, diffuse and repetitious specification.

Distinctiveness

39. With regard to the question of distinctiveness, the hearing officer held that the opponent’s mark enjoyed “a good deal of inherent distinctiveness” in relation to Class 36 services. He also held that the opponent’s use of its mark did not mean that it could claim any enhanced protection over that which it was entitled to on the basis of the mark’s inherent distinctiveness.
40. The opponent attacked the latter conclusion, but in my view the hearing officer was correct. I should note, however, that the hearing officer referred in this connection to the case of *DUONEBS* (BL O/048/01). This needs to be treated with caution for reasons explained in *STEELCO* (BL O/268/04) and *LORNA MORGAN* (cited above).

Interdependency

41. The ECJ stated in *Canon*:
17. A global assessment of the likelihood of confusion implies some interdependence between the relevant factors, and in particular a similarity between the trade marks and between these goods or services. Accordingly, a lesser degree of similarity between these goods or services may be offset by a greater degree of similarity between the marks, and vice versa....

18. Furthermore, according to the case-law of the Court, the more distinctive the earlier mark, the greater the risk of confusion (*Sabel*, paragraph 24). Since protection of a trade mark depends, in accordance with Article 4(1)(b) of the Directive, on there being a likelihood of confusion, marks with a highly distinctive character, either per se or because of the reputation they possess on the market, enjoy broader protection than marks with a less distinctive character.
19. It follows that, for the purposes of Article 4(1)(b) of the Directive, registration of a trade mark may have to be refused, despite a lesser degree of similarity between the goods or services covered, where the marks are very similar and the earlier, in particular its reputation, is highly distinctive.
- ...
24. In the light of the foregoing, the answer to be given to the first part of the question must be that, on a proper construction of Article 4(1)(b) of the Directive, the distinctive character of the earlier trade mark, and in particular its reputation, must be taken into account when determining whether the similarity between the goods or services covered by the two trade marks is sufficient to give rise to the likelihood of confusion.
42. As one would expect, it is clear that the hearing officer was familiar with this principle. Indeed, he quoted paragraph 19 of *Canon* in his decision. Despite this, the opponent submits that he failed to apply the principle correctly. In my judgment this submission is well founded.
43. I consider that the case-law of the ECJ, and in particular *Canon*, establishes that the test under section 5(2) is a single composite question. Answering this single composite question involves (*inter alia*) making an assessment of the degree of distinctiveness of the earlier mark and an assessment of the degree of similarity of the respective goods or services in order to arrive at an overall assessment of the likelihood of confusion.
44. In the present case, however, the hearing officer first considered whether the respective services were similar and made a decision yes or no in respect of the various services. He did not consider this aspect of the matter in terms of degrees of similarity. Furthermore, in respect of those services which he found were similar, he then considered as a separate matter whether or not there was a likelihood of confusion taking into account the distinctiveness of the mark.

This approach did not admit of the possibility that the distinctiveness of the mark could mean that there was a likelihood of confusion for less similar services than if the mark had not been distinctive. Indeed, the hearing officer said at [65]:

The identity of the signs and the distinctiveness of the earlier trade mark cannot change the dissimilar into the similar, neither can reputation (see *Marca Moda CV v Adidas AG* ... re the limits of the effects of reputation).

In my judgment this is not a correct statement of the law since the question is not whether dissimilar goods or services can be changed into similar ones, but of the impact on likelihood of confusion of a greater degree of distinctiveness on the part of the mark despite there being a lesser degree of similarity between the goods or services. Case C-425/98 *Marca Moda CV v Adidas AG* [2000] ECR I-4881 does not establish anything different. On the contrary, in *Marca Moda* the ECJ reiterated the interdependency principle at paragraph 40.

Conclusion

45. For the reasons given above, I believe that the hearing officer's decision with respect to section 5(2)(a) is flawed. As the matter stood before him, I consider that he should have concluded that the application was objectionable under section 5(2)(a) for a wider range of services than he did. Against this, the applicant now offers the second disclaimer which plainly reduces the extent to which there can be a likelihood of confusion. It is not necessary for me to reach any conclusion as to the extent of the section 5(2)(a) objection in the light of the disclaimers, however, because as I have already explained I consider that the determinative objection in this case is that under section 5(4)(a).

Section 5(4)(a)

46. The hearing officer directed himself as to the elements of a claim for passing off in accordance with *WILD CHILD Trade Mark* [1998] RPC 455. In

summary they are (1) goodwill, (2) misrepresentation and (3) damage or likelihood of damage.

Goodwill

47. The hearing officer observed that the opponent's evidence in support of its claim to goodwill fell short of what was required as indicated in *REEF Trade Mark* [2002] RPC 19. Nevertheless he found that the opponent had a goodwill in connection with the mark MERLIN which he expressed at [74] in the following terms:

The press articles and the other exhibited material show use of MERLIN in venture capital in relation to what is generally described as the biotech sector. To invest, MERLIN needs to raise funds and consequently part of the business is funds. These are again specifically linked to venture capital in the biotech sector. The funds are described as having a higher than normal degree of risk. These are long term funds and the minimum amounts of investment are large: £250,000 for the Merlin Fund LP, 1.5 million euros for the Merlin Biosciences Fund LP and 5 million euros for the Merlin Biosciences Fund III. Unlike its class specification, the goodwill spans both the investment in and the investment out. The evidence also shows, not surprisingly probably for a venture capitalist, that MBL has some control and assists the companies it invests in. However, in the context of the business I do not see this as a separate area of goodwill. The evidence does not show that Merlin is associated with business management and consultancy. The presence in the companies seems very much within the context of the venture capital business. In my view the writ of the Merlin Group's goodwill runs no wider than venture capital in the biotech sector and biotech investment funds. The latter, of course, will require the management of the fund.

48. The opponent contends that the hearing officer should have found that its goodwill extended beyond this and covered provision of investment, financial advice and management, as well as corporate strategy and management, across the whole life sciences sector. It has not satisfied me, however, that the hearing officer made any of error of principle in making these findings.
49. On the other hand, I do consider that it is legitimate for me to add a gloss to the hearing officer's findings in the passage I have quoted in two respects. The first is that I regard it as implicit in his findings (and confirmed by evidence to

which he referred earlier in his decision) that part of what the opponent does is to provide advice relating to investment, including (a) advice to investors in the funds and (b) advice to the companies invested in. The second is that evidence referred to earlier in the decision establishes that, in addition to the three funds mentioned by the hearing officer in this passage, the opponent advises a publicly-quoted investment trust which invests in both quoted and unquoted biotechnology and healthcare companies.

Misrepresentation

50. The hearing officer directed himself by reference to *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 that a misrepresentation is established if the relevant public would think that the applicant's services were connected with the opponent provided that the connection was one by which the opponent would be taken to have made itself responsible for the quality of the applicant's services. He also directed himself by reference to the same case that it was not necessary for the opponent to show a common activity of activity, although the absence of a common field of activity was a relevant consideration.
51. The hearing officer went on to observe that, since the respective marks were identical, the issue reduced to the relationship between the business of the opponent and the services specified in the application. He next held that there would be a misrepresentation in relation to those services which he had already held to be identical or similar for the purposes of section 5(2). In relation to the remaining services he said at [76]:

In relation to these services I am hamstrung to some extent, as in the case of section 5, by the absence of evidence as to whether the consumer concerned would consider there would be an association between the services for which MBL has a goodwill and the services of the application ... All the services are within the financial field but that covers a wide range of services. The investment funds of MBL are clearly identified with its venture capital business in biotech companies and so are in a very specialist niche. I have no way of knowing from the evidence before me if the consumer concerned would consider that MBL would be responsible for e.g. *discretionary*

investment management services under the name MERLIN. I consider that the best first step into looking at the issue is to identify those services in the application for which there is no evidence of coincidence with the nature of the services of MBL, based the MBL evidence, and those services for which there has been no clear explanation of their nature. These services will then be excluded from falling foul of the passing off claim. This is not the most satisfactory way of dealing with the issue but I can only do what the evidence allows me. Taking this approach I have been left with the following services of the application which might fall foul of the passing-off claim:

*Financial services in relation to managing investment funds;
Fund management;
Offshore management.*

Part of MBL's business involves the funds for investment in its venture capital business and part of that business must involve management of those funds. Consequently, I consider that the first two services must fall within at least the penumbra of MBL's protectable goodwill, possibly the umbra. MBL has a Jersey based fund, which I think must be classified as being offshore. MBL manages that fund and so I consider that offshore management falls within the penumbra of MBL's protectable goodwill.

52. The opponent contends that there is no logical distinction between the services in respect of which the hearing officer held that there would be a misrepresentation and those in respect of which he held that would not. For example, he refused the application for "financial services in relation to managing investment funds" but allowed it for "financial services in relation to advising on investment funds". As noted above, however, the opponent both manages investment funds and advises on them.
53. Furthermore, the opponent contends that the hearing officer failed properly to consider whether members of the public might believe that the applicant's services were connected with the opponent as opposed to focusing on services which were coincident with those of the opponent. The opponent argues that, given its reputation and goodwill under the mark MERLIN, any services relating to financial investment, management and advice provided under that mark are likely to be associated with it. Counsel for the opponent argued that if, for example, it was publicised that a fund managed or advised by the applicant using the name MERLIN had suffered losses, it was likely that some

investors would think it was connected with the opponent and be put off investing in the opponent's funds.

54. In my judgment there is force in these contentions. The mark MERLIN is, as the hearing officer found, quite distinctive for Class 36 services. Furthermore, the opponent and its predecessor in title had been using the mark for over 6 years by the date the application was filed. As a result the opponent had, as the hearing officer found, built up a reputation and goodwill under the mark. The hearing officer referred in his findings at [74] to the press articles and other materials exhibited by the opponent. The hearing officer had considered these materials earlier in his decision at [27]. As I interpret his decision, he accepted that the evidence showed that the opponent and its founder and chairman Professor Sir Christopher Evans OBE had a reasonably high profile in the financial media. The hearing officer was correct to observe that the opponent's business is in a specialist niche, but as he rightly found that business includes investment in as well as investment out. The investors in may come from a variety of backgrounds, and the evidence is that some are private individuals. In these circumstances there is a potential for members of the relevant public to connect financial investment services, and management and advice services relating to investment, provided under the mark MERLIN with the opponent which the hearing officer did not really assess.
55. There are three additional points which are of particular concern to me. First, the hearing officer purported to uphold the objection where the services of the applicant were coincident with those of the opponent. As I have noted above, the opponent acts as investment advisor to a publicly quoted investment trust. Yet the hearing officer allowed the application to proceed to registration in respect of *inter alia* providing advice to investment trusts. Furthermore, the applicant's evidence is that its business includes acting as investment advisor to four publicly quoted investment trusts.
56. Secondly, the hearing officer failed to consider the fact that, as matters stood before him, the applicant's specification of services encompassed the provision of financial services to the pharmaceutical, biotechnological and

bioscientific sectors. Given that this is the opponent's field of endeavour, there is surely a greater likelihood of confusion in those sectors than in other sectors.

57. Thirdly, the hearing officer's summary of the law did not include the point that it is not necessary for the opponent to show that all members of the relevant public would be misled by the applicant's use of the mark, it is sufficient if a substantial number would be. This is not a high threshold, as may be seen from *Neutrogena Corp v Golden Ltd* [1996] RPC 473, where passing off was established even though most people were not deceived.
58. The applicant argued that the opponent's case amounted to speculation in the absence of evidence. I disagree. It is a question of forming a judgment on what is essentially a jury question in the light of the hearing officer's findings as to the opponent's business, reputation and goodwill. I am mindful that the jury in the present case was the hearing officer and that I should be slow to differ from his conclusion, but for the reasons I have given I do not consider that he approached his task entirely correctly.
59. The applicant also argued that since, as the opponent's own evidence acknowledges, its funds are marketed to sophisticated investors, this meant that they were unlikely to be confused. The applicant is right that confusion is less likely than in the case of more humdrum goods or services, but I agree with the hearing officer that this is not a complete answer to the opponent's case. Given that the marks are identical, even financially astute investors may be misled.
60. The applicant relied on evidence that a company called Merlin Investment Management Ltd was carrying on business in corporate venture funding and property development, and argued that this showed that confusion was unlikely. Counsel for the opponent pointed out, however, that the only things known about this company are that it was incorporated on 12 August 1996, that its accounts for the period ending 31 March 2002 claimed a total exemption for a small company and that it had a webpage advertising its

business as at 24 June 2003. Apart from the indication that its business is small, there is no evidence as to the scale of its business or how long it has been trading or whether it has carried on the business advertised on its website for all of that time. Nor is there any evidence to whether or not there has been any confusion between its services and those of the opponent. Counsel for the opponent also submitted that it would have similar objections to an application by this company to register MERLIN as a trade mark in Class 36 to those raised against the present applicant. In these circumstances I conclude that this evidence does not assist the applicant.

61. The applicant also relied on “state of the register” evidence which is of even less assistance for reasons which are well known.
62. The applicant also relied upon a report prepared on its behalf by Sway plc. The applicant engaged Sway to assist it in choosing a new brand name. Sway identified ten names which were tested in consumer research. This led to a short list of four, COBALT, COUGAR, MERLIN and REDWOOD. Further research on these four was conducted amongst 14 financial services experts comprising principals of direct mail independent financial advisors, former sales and marketing directors of major retail asset management groups, investment journalists, panel makers of leading national accounts/network IFAs and directors of regional IFA firms. As a result MERLIN was chosen.
63. The applicant relied upon the fact that it does not appear from the report that any of the 14 experts manifested any confusion. The report does not actually state in terms that there was no confusion, however. Furthermore, it is far from clear that any of the experts formed part of the opponent’s goodwill. Nor is it clear what questions they were asked. I would add that there has been no “real world” test since, according to the applicant’s evidence, it decided not to proceed with the re-branding until it had secured registration of the trade mark.
64. Rather more important than any of this evidence, to my mind, is the impact of the two disclaimers. In my judgment the first disclaimer is of little significance. All it means is that the applicant will not provide venture capital.

This has little bearing on the question whether other services provided by the applicant are likely to be associated with the opponent.

65. The second disclaimer is more significant. On the face of it, it provides a clear demarcation between the opponent's field – the pharmaceutical, biotechnological and bioscientific sectors – and the fields in which the applicant will provide services. Initially I was of the view that this should suffice to avoid misrepresentation. On further reflection, however, I have concluded that it is not sufficient to avoid a substantial number of members of the relevant public being misled by the opponent's use of the mark MERLIN into believing that some of the services covered by the specification are associated with the opponent. I have in mind particularly investors in the funds managed and advised by the opponent, who may well be unconnected with the pharmaceutical, biotechnological and bioscientific sectors.

66. I consider that, notwithstanding the second disclaimer, the provision of the following services under the mark would result in a misrepresentation in addition to those in respect the hearing officer found that there would be a misrepresentation (other than “financial services relating to savings capital investment” as noted above):

financial services in relation to advising on investment funds; financial management; discretionary investment management services; investment advisory services; provision of information, advice and consultancy relating to finance and investments; investment product management; investment trust management; investment trust services; advice on all of the aforesaid.

67. I am not satisfied that, at least with the addition of the disclaimer, the provision of the following services would result in a misrepresentation:

financial services relating to savings capital investment; savings scheme product management; mutual funds; administration of mutual funds; brokerage services relating to mutual funds; mutual fund management; mutual fund services; provision of pricing information about mutual funds; asset management; unit trust management; unit trust services; unit trust management; offshore unitized funds; advice on all of the aforesaid.

On such evidence as there is, these appear to me to be financial services of a somewhat different type to those with which the opponent is concerned and akin to some of the services in respect of which the opponent has not appealed.

Damage

68. The applicant contends that the hearing officer adopted the wrong test because he expressed himself as of the view that the opponent “could” suffer damage. In my view this is an example of the point made by Robert Walker LJ in *REEF TM* that a decision is not erroneous merely because it is infelicitously expressed. In context I consider that it is clear that the hearing officer was saying that there was a likelihood of damage to the opponent. In my judgment he was right to conclude that association with the applicant’s services was likely to be damaging to the opponent’s goodwill.

Conclusion

69. The opponent’s appeal is allowed, and the applicant’s appeal is dismissed, to the extent that the opposition is upheld in respect of the following services:

financial investment; financial services relating to investment; investment management services; investment management services on behalf of clients including investment trusts, regulated and unregulated collective investment schemes, pension funds, charitable organisations and institutional and retail investors in the United Kingdom and offshore; financial services in relation to managing investment funds; fund management; offshore management; financial services in relation to advising on investment funds; financial management; discretionary investment management services; investment advisory services; provision of information, advice and consultancy relating to finance and investments; investment product management; investment trust management; investment trust services; advice on all of the aforesaid.

70. The application will be allowed to proceed to registration for the following services:

financial services relating to savings capital investment; savings scheme product management; mutual funds; administration of mutual

funds; brokerage services relating to mutual funds; mutual fund management; mutual fund services; provision of pricing information about mutual funds; asset management; unit trust management; unit trust services; unit trust management; offshore unitized funds; interactive and database information services relating to finance and investments; personal equity plan and individual savings account investment; financial services relating to personal equity plans and individual savings accounts; savings scheme services; financial services relating to savings; provision of investment savings plans; financial information services provided by access to a computer database; financial market information services; financial information services relating to individuals; advice on all of the aforesaid; not including independent financial advisory services or the provision of venture capital; and not including the provision of any such services to the pharmaceutical biotechnological or bioscientific sectors.

71. The applicant should file a form TM21 to amend the specification as set out above within four weeks of this decision. If it does not do so, the application will be refused in its entirety.

Costs

72. The hearing officer ordered the opponent to pay the applicant the sum of £1,250 to reflect the fact that the applicant had been successful in relation to the greater part of the specification. The opponent has been partially but not completely successful in its appeal. Overall, it seems to me that the result of the proceedings is a draw. I will therefore set aside the hearing officer's costs order and make no order as to the costs of the opposition or the appeal.

17 February 2005

RICHARD ARNOLD QC

Charlotte May, instructed by Castles as agents for McGrigors, appeared for the opponent.

Mark Chacksfield, instructed by Veale Wasborough, appeared for the applicant.