O/0786/25

TRADE MARKS ACT 1994

IN THE MATTER OF TRADE MARK APPLICATION NO. 3593627

BY

HORIZONS ENTERPRISE LTD

TO REGISTER THE FOLLOWING TRADE MARK

IN CLASS 33

ROYAL DRAGON VODKA

AND OPPOSITION THERETO UNDER NUMBER 426225

BY

CAPITAL DISTRIBUTION & CONSULTING INC

Background and Pleadings

1. On 10 February 2021, Horizons Enterprise LTD ("the Applicant") applied to register in the UK, trade mark no. 3593627 ROYAL DRAGON VODKA ("the contested mark") for goods in class 33 namely '*distilled spirits; vodka'.* The application was accepted and published in the Trade Marks Journal on 14 May 2021.

2. On 16 August 2021, Capital Distribution & Consulting Inc ("CDC/the Opponent") opposed the application under section 5(4)(a) of the Trade Marks Act 1994 ("the Act"). For the purposes of this opposition, it relies upon the unregistered sign ROYAL DRAGON VODKA which it is said has been used throughout the UK since 30 December 2012 for *'alcoholic beverages'*.

3. The Opponent claims that any use of the contested mark by the Applicant for identical goods will deceive the public into believing that the goods originate from the Opponent or that there is a connection between them, causing it to suffer damage to its goodwill and reputation, through loss of sales and/or the reduction, blurring or diminishing of the exclusivity of its trade mark, and/or by supplying goods of an inferior quality.

4. The Applicant filed a defence and counterstatement denying the Opponent's claim and putting it to strict proof.

5. Both parties filed evidence during the evidence rounds, as well as relying on voluminous amounts of evidence previously filed in related proceedings before the IPO as between the parties (or related entities). I am asked to take this previously filed evidence into account for the purposes of these proceedings. I say at the outset that I do not propose to outline that evidence in this decision, however, to the extent that the evidence provides context to the dispute between the parties, I shall refer to it further below. Neither party requested a hearing, nor filed submissions in lieu of a hearing. This decision is therefore taken following a careful perusal of all the papers.

Representation

6. Although both parties were initially professionally represented, both representatives came off record some time ago such that at the time of writing this decision both parties represent themselves.

Relevance of EU Law

7. The provisions of the Act relied upon in these proceedings are assimilated law, as they are derived from EU law. Although the UK has left the EU, section 6(3)(a) of the European Union (Withdrawal) Act 2018 (as amended by Schedule 2 of the Retained EU Law (Revocation and Reform) Act 2023) requires tribunals applying assimilated law to follow assimilated EU case law. That is why this decision refers to decisions of the EU courts which predate the UK's withdrawal from the EU.

The previous disputes and findings

8. There has been a protracted history between the parties and an affiliate/entity associated with the Applicant (Horizons Group (London) Ltd). Both have been in dispute regarding the current ownership of registered intellectual property ("IP") rights originally held in the name of Dragon Spirits Ltd ("DS"). A number of decisions have been issued relating to the rectification of the Register in relation to the assignment of various registered rights previously held by DS, the outcome of which has been to return those registrations into the name of DS as the original proprietor. This opposition was suspended whilst those proceedings were ongoing.

9. To briefly outline the background to the previous disputes, they centre around the actions of DS's former director (Mr Michael Morren). Mr Morren was removed from his directorship and any shareholding he held in DS for breaching his fiduciary duties, by order of the High Court of Hong Kong (HCHK) in February 2019. Further, a winding up petition was filed against DS in July 2019 and a winding up order was granted by the HCHK on 23 September 2019 granting liquidation of all of DS's assets. Liquidators were appointed on 1 December 2020. All assets relating to the business belonging to DS (now in liquidation) to include all global IP rights were sold by the liquidators to the Opponent, to which I will refer in greater detail below. Horizons Group (London) Ltd ("HGL") described as a predecessor of the Applicant, challenged the liquidator's and CDC's proprietorship, claiming that prior to the filing of the winding up petition, DS had assigned all IP rights to them meaning that these rights had not vested in the liquidator and therefore could not have been sold to CDC. The previous rectification proceedings related to the circumstances surrounding this assignment to HGL and who was entitled to claim the proprietorship of the registrations and all IP rights following DS's winding up.

10. One of the previous decisions issued on 26 May 2023 under number O/0485/23 ("my earlier decision") related to an application for rectification of trade mark number 2599069 between HGL and CDC, where I found that the purported assignment document as relied upon by HGL was not the actual instrument upon which the trade mark was assigned and was no more than an agreement to assign at a future date rather than the actual deed of assignment itself. The consequence of this meant that the ownership of trade mark number 2599069 (which will also apply to all subsequent IP rights) could not have validly passed to HGL by way of assignment as at the date alleged and remained in the name of DS on the date the winding up petition was filed. The effect of this finding is that upon liquidation, all of DS's assets vested in the liquidator. CDC succeeded in its application to rectify the Register to return the trade mark registration no. 2599069 into the name of DS, and subsequently, given that it had purchased the assets from the liquidator, into its name.

11. The outcome of the previous rectification decision has no direct bearing on the contested mark the subject of these proceedings, as the trade mark at issue was already a registered right, whereas, this dispute relates to a new trade mark application by the Applicant said to give rise to a passing off claim brought by the Opponent under section 5(4)(a). However, my previous finding of fact regarding the purported assignment of DS's IP rights to HGL is relevant, because this will directly impact on whether the Opponent can lay claim to any transfer of goodwill associated with DS's business.

12. Further, I wish to clarify any misunderstanding as to the scope of this decision. It is not permissible for me to merely follow the outcome of the previous rectification decisions and transfer the ownership of the contested mark into the name of the Opponent as has been requested. I must consider the matter based on the legal principles under the ground of opposition as pleaded.

Evidence

13. The parties chose not to file updated evidence or submissions following the issuing of my earlier decision, instead asking me to rely on the evidence they or their predecessors had previously filed in the earlier proceedings. The evidence filed in the rectification proceedings solely related to issues surrounding the purported assignment of registered trade marks into the name of HGL and to which I have

already made a finding of fact. Whilst I have taken account of all the evidence across all sets of proceedings, much of the evidence concerns the previous activities of DS's former director and the circumstances leading up to the liquidation of DS which I have already outlined in detail in my earlier decision. I do not, therefore, propose to repeat a summary of that evidence or any findings of fact that I have already made. I shall only summarise the evidence and those facts which I consider pertinent, or which directly relates to determining the passing off claim under section 5(4)(a).

CDC's evidence

14. The Opponent's evidence specifically relating to the 5(4)(a) ground consists of the witness statement of Benson Chiu dated 7 February 2022, accompanied by eight exhibits marked Annex BC1-BC8. Mr Chiu is the director of CDC and is authorised to make the statement on its behalf.

15. Mr Chiu sets out the background to the circumstances leading to the insolvency of DS and reproduces the evidence the Opponent filed in the rectification proceedings as aforementioned.[1] Mr Chiu states that the evidence filed by the Applicant in the name of Ms Joanne Bharwani doesn't explain the exact relationship between HGL and the Applicant, although it is noted that she is the director of both entities. It was always the Opponent's understanding that it was HGL that laid claim to the Royal Dragon Vodka brand rather than the Applicant.

16. Mr Chiu states that it is the Opponent which is the entity in possession of a valid assignment giving it the rights of ownership to the 'ROYAL DRAGON VODKA' brand including the goodwill from DS (in liquidation). Mr Chiu produces documents to confirm the chain of title from DS to the Opponent following the company's liquidation. He produces an Asset Purchase Agreement dated 7 May 2021 ("the Agreement") which shows that the IP of the ROYAL DRAGON VODKA brand was assigned to the Opponent. Mr Chiu states that all of the goodwill accrued by DS in the ROYAL DRAGON VODKA brand transferred to CDC upon sale. I note that under the heading 'DEFINITIONS AND INTERPRETATION' of the Agreement , the terms 'Assets' and 'Business' are defined respectively as "all of the Seller's Intellectual Property and Intellectual Property Rights relating exclusively to the Business" and "the business of

[1] Annex BC 1 and BC2

producing, marketing and selling vodka products globally in particular under the brand Royal Dragon …" including but not limited to the registered trademarks and the applications listed in Schedule 1 which include trade marks/logos and designs for "Royal Dragon" and "Royal Dragon Superior Vodka 5x Distilled". Clauses 2 and 3 of the agreement set out the terms of sale, assignment and transfer of all of DS's "rights, title and interest in and to the Intellectual Property and Intellectual Property Rights". The consideration paid by the Opponent was US$750,000. The agreement takes effect from the completion date recorded as 20 June 2021.[2]

17. Mr Chiu states that due to the contested nature of the chain of title between the parties, the Opponent has not as yet conducted business under the brand in the UK. He does however refer to the Applicant having commenced unauthorised trading under the sign but provides no other information.

18. Mr Chiu states that the Royal Dragon Vodka brand was first produced and made available to the UK market in 2012 and has generated a significant degree of goodwill and reputation as a high end luxury spirit, retailed in high end specialist retail stores, bars and restaurants. Mr Chiu states that the brand has been widely promoted and advertised in traditional commercial advertising spaces and by sponsorship of and partnering with industry events. The Royal Dragon Vodka product is said to have been given numerous global awards which has enhanced the reputation of the brand within the UK drinks industry. As DS was facing financial difficulties for some time, Mr Chiu states that this limited its ability to trade under the brand from 2017 to 2021.

19. In support of the goodwill claimed, Mr Chiu produces the following:

- UK sales figures for the years 2015/2016 and 2016/2017 showing total sales of US$443,657 and US$224,972 respectively.[3]
- A screenshot taken from Wikipedia (last edited on 9 January 2021) referring to Royal Dragon Vodka as being a speciality vodka based in Hong Kong and one of the most expensive vodkas in the world, featuring gold leaf flakes mixed with the alcohol. An expensive version is produced with the vodka coming in a hand-blown glass bottle in the shape of a dragon, topped with an 18-karat gold pendant and encrusted with 35 diamonds. Less expensive variants are also

[2] Exhibit Annex BC2 Page 184
[3] Annex BC3

produced in a range of flavours, two of which also include 23ct Swiss flakes of gold infused into the spirit. The article includes a reference to the website "www.royaldragonvodka.com/en".[4]

- An undated video of a UK television commercial featuring the Royal Dragon Vodka sign and bottles displaying the trade mark/sign "Royal Dragon Superior Vodka Imperial". The products are said to be available to purchase from Harvey Nichols and "other fine establishments"[5]. Reference is made to a website displayed as "www.ROYALDRAGONVODKA.com/UK".
- An extract from an online news article dated 2 June 2015 published in 'The Spirits Business' referring to Royal Dragon Vodka as the official drinks partner of the London Club & Bar Awards in 2015. The event is said to "bring together club and bar owners, promoters, DJs, event organisers and venue managers at a glittering ceremony to recognise the best in the on trade and nightlife industry". The entries and winners are said to be chosen by club goers and a committee panel taken from national newspapers and media partners. Guests are said to have been serviced with an array of drinks showcasing Royal Dragon Vodka including the 'Imperial' variant containing 23 carat Swiss gold leaves and other flavourings.[6]
- A short undated video excerpt taken from the BBC early evening magazine programme 'The One Show', in which a review of the Royal Dragon vodka is given by the actress Joanna Lumley.[7] This is said to show promotion of the product in the "UK mass media"[8].
- An extract taken from an article published in The Moodie Davitt Report dated 16 October 2017 reporting that the brand was awarded two 'Frontier Awards' at the 2017 TFWA World Exhibition in Cannes. One award was for 'Star Product of the Year under $100' and the other for 'Best Global Travel Retail Packaging'. It is said that the brand has been active in travel retail for less than two years and is a premium vodka concept having enjoyed rapid growth in market share and brand recognition.[9]

[4] Annex BC4
[5] Annex BC5
[6] Annex BC6
[7] Annex BC7
[8] Paragraph 17 Mr Chiu's statement.
[9] Annex BC8

- Email correspondence dated August 2017 between Mr Bharwani (RDV UK)[10] and DS's Dutch distributor, responsible for distributing the product in the UK, said to demonstrate that the products under the brand were being sold in the UK.[11] The content of the email primarily relates to an exchange regarding the termination of the distribution agreement between RDV UK and DS.[12] The email refers to attempts being made to approach UK clients to supply the UK market and that an exclusive UK distribution contract was in place between 2013 and 2018.

Horizons Enterprise Ltd's evidence

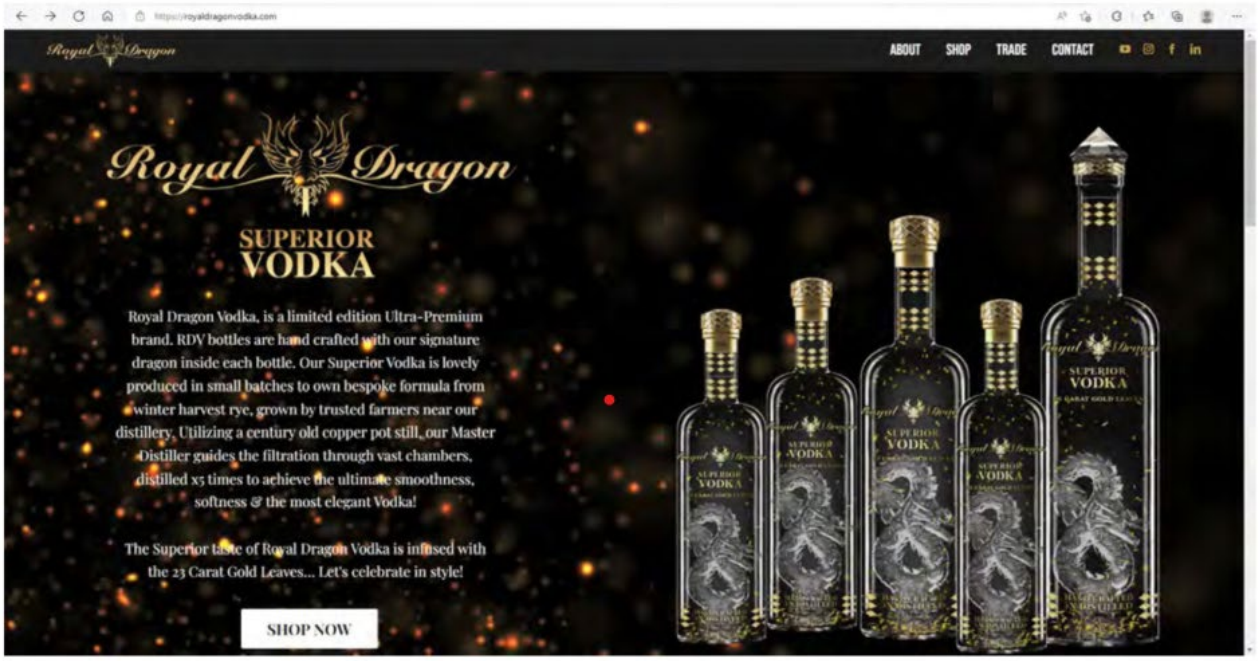
20. The Applicant's evidence comes from Joanne Bharwani dated 7 April 2022 accompanied by 7 exhibits marked JB1-JB7. Ms Bharwani is the director of the Applicant. The substance of Ms Bharwani's evidence is to challenge the Opponent's claim that it is in possession of a valid assignment giving it rights to the goodwill previously owned by DS. She states that all rights in ROYAL DRAGON VODKA are currently owned by Horizons Enterprise Ltd and relies on the previous witness statements and submissions filed in the aforementioned rectification proceedings.[13] The evidence filed at JB1 consists of the witness statement and exhibits of Hiro Bharwani dated 29 November 2021 (filed in the previous rectification proceedings) which is said to set out the chronology of the previous assignment and why the Opponent's claim to be the rightful owner of the brand cannot succeed.

21. Ms Bharwani relies on a deed of assignment dated June 2019 between DS and HGL (before the winding up order) in support of the Applicant's challenge to the Opponent's chain of title. Two further assignments are relied upon. The first between HGL and Keen High Investment Limited ("KHI") dated 15 January 2021[14] and the second between KHI and the Applicant dated 1 July 2021.[15] It is said that the attempt to record the 15 January 2021 assignment to KHI was refused by the Tribunal pending the outcome of the rectification proceedings.[16] Mrs Bharwani states that the TM rights

[10] Mr Bharwani is the director of HGL and RDV UK
[11] Annex BC9
[12] An entity which appears to be linked with Mr Hiro Bharwani.
[13] This evidence related to UKTM 2599069 and the dispute between HGL and CDC
[14] Exhibit JB3
[15] Exhibit JB4
[16] Exhibit JB3-1

were returned into the name of HGL, and this is said to be “the reason for the discrepancy on parties”. Relying on the previous assignments, the goodwill and ownership of the ROYAL DRAGON VODKA brand is said to sit with the Applicant.

22. In relation to use of ROYAL DRAGON vodka, Ms Bharwani states that since the assignment in June 2019 to HGL either the Applicant or its predecessors (by which I understand her to mean KHI and/or HGL) have exploited the ROYAL DRAGON VODKA brand in the UK. Ms Bharwani states that the Applicant operates the www.royaldragonvodka.com website which is said to clearly offer ROYAL DRAGON vodka products for sale. I note that the domain name registered by GoDaddy.com is in the name of HGL and not the Applicant. In support of this claim an undated screenshot of the home page is produced as follows:[17]



23. It is said that in November 2021 the Applicant overcame a UDRP[18] complaint filed by the Opponent. The decision issued by the WIPO Arbitration and Mediation Center is produced relating to the aforementioned domain name.[19] I note that the parties to the dispute are HGL and the Opponent. It is accepted that the domain name was originally in the name of DS and at some time after 2019 it appears to have been acquired by HGL. It was noted by the adjudicator when clicking the ‘Shop Now’ button

[17] Exhibit JB5
[18] Uniform Domain Name Dispute Resolution Policy
[19] Exhibit JB6

of the website (as at or just before the date of the decision namely 24 November 2021) this action opened a screen that merely displayed the message 'down for maintenance'. It was noted that the dispute as to the ownership of the domain name related to a wider dispute which it was considered exceeded the limited scope of the UDRP which was more accustomed to dealing with abusive cybersquatting cases. Consequently, it decided not to consider the merits of the Opponent's claim and denied the complaint. I do not consider that this can be construed as a finding in favour of HGL as alleged by the Applicant. The decision speaks for itself.

24. Ms Bharwani states that the Applicant has applied for and registered a number of Trade Mark registrations globally and produces a ProSearch Report listing these.[20] I note that of the 14 trade mark registrations and applications, 11 are in HGL's name and not the Applicant.

25. The Applicant also filed submissions dated 7 February 2022. It submits that the Opponent has not filed any evidence demonstrating that it owns the requisite goodwill. The March 2021 assignment document as relied upon was filed some 2 years after the June 2019 assignment to HGL whilst it or its predecessor was exploiting the brand. It submits that the sales figures produced by the Opponent are uncorroborated but states that given that it is the rightful owner of the brand any goodwill emanating from these sales figures, vests with it.

Section 5(4)(a)

26. Section 5(4)(a) of the Act states as follows:

> "5(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)…

[20] Exhibit JB7

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”.

27. Subsection (4A) of section 5 of the Act 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.”

28. 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).”

29. 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[1] 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[2] 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."

Relevant date

30. The prima facie relevant date is the date of the application of the contested mark namely 10 February 2021. Mr Chiu states that the Applicant has commenced trading under the sign and has misappropriated and taken advantage of the goodwill and reputation claimed by the Opponent. However, no positive evidence has been

produced by the Applicant itself of any actual use by it in this regard. The Applicant has stated that it or its predecessors have exploited the brand by operating the royal dragon website, and have applied for and registered various trade marks globally. However other than producing an undated screenshot of the home page of the royal dragon website and a list of trade mark registrations (predominantly in the name of a different entity) no other evidence has been filed sufficient for any earlier relevant date to apply. I shall proceed with the assessment therefore at as 10 February 2021.

Goodwill

31. The concept of goodwill was considered by the House of Lords in *Inland Revenue Commissioners v Muller & Co's Margarine* Ltd [1901] AC 217:

> "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."

32. For the time being, I will set aside the question as to the ownership and transfer of goodwill and focus on whether sufficient goodwill has been shown to exist. The evidence to establish goodwill comes from Mr Chiu which relates to the time when the ownership of the business was in the name of DS.

33. Mr Chiu provides sales figures for the years 2015/2016 and 2016/2017 amounting to total sales over these periods at just under USD$670,000. Further he has shown that the Royal Dragon Vodka brand was the official drinks sponsor of the London Club & Bar Awards in 2015, a prestigious annual event attended by those in the hospitality industry. A television commercial was produced which shows that the goods were being sold in Harvey Nicholls, known for being a leading luxury UK retailer. Further promotional activity of the product shows that it was reviewed on The One Show, a popular early evening magazine programme on the BBC which would have attracted hundreds of thousands of UK viewers. The email correspondence also shows that DS had a Dutch distributor, distributing goods to the UK under the Royal Dragon Vodka sign between 2013 and 2018. Of particular note is that the Opponent paid consideration of USD$750,000 for DS's business from the liquidators, to include the IP rights in 2021.

34. The use shown is not extensive but I bear in mind that a small business may still be protected by the law of passing off,[21] albeit that it does not protect a goodwill of trivial extent.[22] As Mr Thomas Mitcheson KC, sitting as the Appointed Person, concluded in *Smart Planet Technologies, Inc. v Rajinda Sharma*:[23]

> "…a successful claimant in a passing off claim needs to demonstrate more than nominal goodwill. It needs to demonstrate significant or substantial goodwill and at the very least sufficient goodwill to be able to conclude that there would be substantial damage on the basis of the misrepresentation relied upon."

35. When assessing whether the evidence has demonstrated that a protectable goodwill has been established, I place particular weight on the UK sales figures showing repeat custom between 2015 and 2017 and that the company was the drinks sponsor for a prestigious award ceremony at this time. A distribution agreement for the UK was in place for over 5 years up until 2018. Further the valuation given to DS's business by the liquidator, prior to it being sold to the Opponent, also shows a not insignificant valuation. I also note that the Applicant's case is not so much that DS did not own goodwill but rather whether the Opponent could lay claim to that goodwill or whether as a result of the prior assignment the goodwill should be attributed to it or its predecessor.

36. On the whole, taking these factors into account and despite the evidence only showing a low level of use, I find that a small but protectable goodwill associated with DS's business has been shown, and that the sign Royal Dragon Vodka was distinctive of that goodwill.

Ownership of Goodwill

37. Having found goodwill, I shall now move on to consider whether that goodwill still existed as at the relevant date following DS's liquidation and whether the chain of title shows that it was transferred to the Opponent or whether that goodwill had been abandoned, dissipated or evaporated before the Opponent came to purchase the business.

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[21] *Lumos Skincare Limited v Sweet Squared Limited and others* [2013] EWCA Civ 590
[22] *Hart v Relentless Records* [2002] EWHC 1984 (Ch)
[23] BL O/304/20

38. In my earlier decision, for the reasons already given, I found that the assets of DS had not been assigned to HGL before the winding up petition was filed. There has been no additional evidence filed by the Applicant in these proceedings to show that it has any alternative route of establishing ownership over the IP rights of DS other than from the purported assignment relied on by HGL. Given this finding, the Applicant cannot lay claim to any ownership rights through succession of title over the signs previously held by DS from KHI or HGL. If I find that the goodwill of DS's former business still existed then it will have vested in the liquidator who was able to confer good title to it on the purchaser of that business.

39. In *Ad Lib Club Limited v Granville* [1971] FSR 1 (HC), Vice Chancellor Pennycuick stated:

> "It seems to me clear on principle and on authority that where a trader ceases to carry on his business he may nonetheless retain for at any rate some period of time the goodwill attached to that business. Indeed it is obvious. He may wish to reopen the business or he may wish to sell it. It further seems to me clear in principle and on authority that so long as he does retain the goodwill in connection with his business he must also be able to enforce his rights in respect of any name which is attached to that goodwill. It must be a question of fact and degree at what point in time a trader who has either temporarily or permanently closed down his business should be treated as no longer having any goodwill in that business or in any name attached to it which he is entitled to have protected by law.
>
> In the present case, it is quite true that the plaintiff company has no longer carried on the business of a club, so far as I know, for five years. On the other hand, it is said that the plaintiff company on the evidence continues to be regarded as still possessing goodwill to which this name AD-LIB CLUB is attached. It does, indeed, appear firstly that the defendant must have chosen the name AD-LIB CLUB by reason of the reputation which the plaintiff company's AD-LIB acquired. He has not filed any evidence giving any other reason for the selection of that name and the inference is overwhelming that he has only selected that name because it has a reputation. In the second place, it appears from the newspaper cuttings which have been exhibited that

members of the public are likely to regard the new club as a continuation of the plaintiff company's club. The two things are linked up. That is no doubt the reason why the defendant has selected this name".

40. Further, in *W.S. Foster & Son Limited v Brooks Brothers UK Limited*, [2013] EWPCC 18 (PCC), Recorder Iain Purvis QC, sitting as a Deputy Judge, considered the law on abandonment of goodwill and summed it up like this:

> "68. I deal with the abandonment case first. The doctrine of abandonment of goodwill is intimately tied up with the basic principle that goodwill has no free-standing existence. It is simply a property right attached to a particular business. If the business dies, then so does the goodwill. See Lord Diplock in *Star Industrial v Yap Kwee Kor* [1980] RPC 31:
>
> > 'Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. If has no independent existence apart from the business to which it is attached. It is local in character and indivisible; if the business is carried on in several countries a separate goodwill attaches to it in each. So when the business is abandoned in one country in which it has acquired a goodwill the goodwill in that country perishes with it although the business may continue to be carried on in other countries…Once the Hong Kong Company had abandoned that part of its former business that consisted of manufacturing toothbrushes for export to and sale in Singapore it ceased to have any proprietary right in Singapore which was entitled to protection in any action for passing-off brought in the courts of that country.'
>
> 69. There is little doubt that the business of Peals was abandoned by a series of very public acts. Just as in the well-known abandonment case of *Pink v Sharwood* [1913] 30 RPC 725 the employees were laid off, all sales stopped and the means of production were broken up. There was a clear and explicit expression in an interview with the press that Peals intended to stop trading in the United Kingdom altogether. However, unlike in *Pink v Sharwood*, those acts took place only after the goodwill was assigned to a third party (Brooks Brothers (New York) Limited). Furthermore, the assignment of goodwill was not a 'bare assignment'. It was on the face of it sold together with the vital assets for

maintaining and exploiting that goodwill, namely the customer lists and the lasts and equipment necessary to serve those customers. The thrust of the Agreement is that Peals will cease trading in the United Kingdom and elsewhere (as they did), but there is nothing in the Agreement to indicate that Brooks Brothers will not carry on the business themselves in the United Kingdom in some form.

70. The termination of the business of Peals in January-February 1965 is therefore not determinative in itself of the issue of abandonment. The question must be looked at more broadly. Did Brooks Brothers, through its conduct in the early part of 1965, whilst Peals was winding up its business, behave in such a way that it could be said to have abandoned the business and goodwill in the United Kingdom associated with the Peal & Co. name and the fox and boot trade mark?

71. In my view it did. Firstly, although it had technically purchased the customer lists and the equipment necessary to keep the established business going in the United Kingdom, it is clear from the evidence of Mr Moore that it allowed those assets to be dissipated or destroyed. In those circumstances, if it had wished to preserve the goodwill in the United Kingdom under the trade marks, it would in my view have had to take steps fairly quickly to preserve the goodwill by launching a new business under those marks and educating the public that it was the successor to the old Peals business. No such steps were taken. Indeed, it must be a reasonable inference that the statement in the Associated Press report, presumably based on a comment of Mr Rodney Peal, that '*Peal's readymade shoes, produced from the firm's lasts and special leather at factory in Northampton, will still be sold in the United States by Brooks Brothers of New York. But the custom-made shoes will be no more, and all the British sales will end'* was a fair reflection of the intentions of Brooks Brothers, and the message which Brooks Brothers were content to send to the market in the United Kingdom.

72. In all the circumstances, by promoting (through clauses 4 and 5 of the Agreement) the destruction of the Peals business, by failing to take any steps to preserve a business in the United Kingdom, and by allowing the United

Kingdom market to assume that Peals no longer existed, I consider that Brooks Brothers had abandoned any and all the goodwill in the United Kingdom associated with the Peals business, including any goodwill associated with the fox and boot device."

41. It is clear that the goodwill in a business is not necessarily extinguished immediately if the owner ceases to trade. Goodwill in a discontinued business may continue to exist and be capable of being protected, provided the claimant intended and still intended that its former business would resume active trading.[24] It is not necessary that the prospect should be imminent, but the mere possibility of resumption if circumstances should ever change in the claimant's favour is not enough.

42. Whether DS's goodwill endured and was capable of being transferred to CDC when it purchased the assets of DS's business from the liquidator is a question of fact.

43. The evidence of the assignment of rights is outlined in the Agreement. I am mindful of the fact that the Agreement itself makes no specific mention of 'goodwill', however, the assignment of goodwill does not have to be in writing or take any particular form and the document need not mention goodwill by name.[25] Consequently even though the goodwill is not expressly mentioned in the Agreement it can be inferred to have been included as part of the sale of DS's business when looking at the terms as set out earlier in my decision and the intention of the parties entering into the commercial arrangement. I am prepared to accept that any goodwill owned by DS was capable of being transferred to CDC when it purchased the assets of DS including all IP rights from the liquidator in May 2021.

44. In so far as to whether the goodwill had been abandoned is concerned, I note that in the instant case there has been no announcement of cessation of DS's business. The liquidator believed that it had sufficient residual value to sell it for not an insubstantial sum and clearly CDC has shown that it has an intention of continuing in the business, demonstrated by the amount of consideration it paid for it and the fact that it has instigated several proceedings to protect the brand. Whilst these acts are inconclusive in demonstrating a positive intention to trade, they form part of a narrative that shows both the liquidator and CDC attempting to maintain the business and

[24] see Wadlow, The Law of Passing Off (6th ed) at §§3-459 to 3-460
[25] Wadlow ibid at §§3-403

goodwill beyond that which DS enjoyed in 2015/2016 and 2017, prior to its insolvency. Here, I consider that there has always been a distinct possibility for trade to resume, once CDC had resolved the ownership issues. There is no evidence that the goodwill was abandoned.

45. Moving on to consider the subsistence of goodwill I have considered Arnold J's comments in *Starbucks (HK) Ltd v BskyB* Plc.[26] He stated that "*if a business has not been abandoned in a manner which results in its goodwill being destroyed, a residual goodwill may continue to subsist for a time after the business has ceased trading*". He went on to say, "*the lesser the extent of the original goodwill and the more time that has elapsed since the business ceased trading, the more one would expect the residual goodwill to have evaporated; but the extent of any residual goodwill in any particular case is a matter for evidence*".

46. In my view, two years is not a sufficiently long enough period for the goodwill that existed in DS's name to have been destroyed simply by the passage of time. Whilst the evidence filed shows a small but protectable goodwill, the fact that consideration of USD$750,000 was paid for the business in 2021, combined with the evidence of UK sales running into hundreds of thousands of pounds up until 2017, is sufficient to demonstrate that the residual goodwill that existed in DS's name endured and transferred to CDC upon DS's liquidation.

47. I am satisfied that the chain of title in the ownership of DS's assets was not broken. The goodwill that existed in DS's name was not abandoned and any residual goodwill had not evaporated or dissipated by the relevant date. The relatively short period of time that had lapsed between DS going into liquidation and the sale of its assets meant that any cessation in trade was temporary. Given that upon the assignment the agreement conferred on CDC the exclusive right to carry on the business assigned and to represent itself as carrying on that business, I am satisfied that the goodwill accrued by DS vested in the liquidator and thereafter to CDC.

[26] [2012] EWHC 3074 (Ch) at [138] and [139–143]. On appeal to the Court of Appeal [2013] EWCA Civ 1465 at [17]; [2014] F.S.R. 20 these findings were not disputed, and the point was not revisited in the Supreme Court [2015] UKSC 31; [2015] 1 W.L.R. 2628; [2015] F.S.R. 29.

Misrepresentation and Damage

48. The relevant test for misrepresentation can be found in *Neutrogena Corporation and Another v Golden Limited and Another*,[27] in which Morritt L.J. stated that:

> "47. There is no dispute as to what the correct legal principle is. As stated by Lord Oliver of Aylmerton in *Reckitt & Colman Products Ltd. v. Borden Inc*. [1990] R.P.C. 341 at page 407 the question on the issue of deception or confusion is:
>
> > 'is it, on a balance of probabilities, likely that, if the appellants are not restrained as they have been, a substantial number of members of the public will be misled into purchasing the defendants' [product] in the belief that it is the respondents' [product]?'
> >
> > The same proposition is stated in Halsbury's Laws of England 4th Edition Vol.48 para 148. The necessity for a substantial number is brought out also in *Saville Perfumery Ltd. v. June Perfect Ltd.* (1941) 58 R.P.C. 147 at page 175; and *Re Smith Hayden's Application* (1945) 63 R.P.C. 97 at page 101."

49. The requirements for damage in passing off cases are described in *Harrods Limited v Harrodian School Limited*,[28] 48 by Millett L.J., as follows:

> "In the classic case of passing off, where the defendant represents his goods or business as the goods or business of the plaintiff, there is an obvious risk of damage to the plaintiff's business by substitution. Customers and potential customers will be lost to the plaintiff if they transfer their custom to the defendant in the belief that they are dealing with the plaintiff. But this is not the only kind of damage which may be caused to the plaintiff's goodwill by the deception of the public. Where the parties are not in competition with each other, the plaintiff's reputation and goodwill may be damaged without any corresponding gain to the defendant. In the Lego case, for example, a customer who was dissatisfied with the defendant's plastic irrigation equipment might be dissuaded from buying one of the plaintiff's plastic toy construction kits for his children if

[27] [1996] RPC 473
[28] [1996] RPC 697

he believed that it was made by the defendant. The danger in such a case is that the plaintiff loses control over his own reputation."

50. With regard to proof of damage, I bear in mind the decision in *WS Foster & Son,*[29] in which Recorder Iain Purvis QC, sitting as the District Judge, stated:

"Damage

55 Although proof of damage is an essential requirement of passing off cases, it will generally be presumed where a misrepresentation leading to a likelihood of deception has been established, since such deception will be likely to lead to loss of sales and/or more general damage to the exclusivity of the Claimant's unregistered mark. Mr Aikens accepted that if there was a misrepresentation in the present case, then he had no separate case on damage. I hold that damage is inevitable, at least in the sense recognised in *Sir Robert McAlpine v Alfred McAlpine* [2004] RPC 36 at 49 (the 'blurring, diminishing or erosion' of the distinctiveness of the mark)."

51. Having found goodwill, it follows that any use of the name Royal Dragon Vodka by the Applicant, being identical to the sign relied upon by the Opponent for identical goods of the kind applied for, would mislead a substantial number of its actual or potential customers into purchasing those goods believing they were the Opponent's. This would give rise to a misrepresentation and damage, such as diversion of trade and/or injurious association, is easily foreseeable. The Opponent is entitled to restrain the Applicant under the law of passing off at the relevant date from using the contested mark.

52. The Opponent's claim under section 5(4)(a) succeeds in its entirety.

Conclusion

53. Subject to appeal the application of the contested mark is refused registration.

Costs

54. The Opponent has been successful and is entitled to a contribution towards its costs based on the scale published in Tribunal Practice Notice 2/2016. Both parties relied on evidence already filed in the earlier proceedings and for which a considerable

[29] Ibid para 40.

costs award has already been made. I do not consider it appropriate to award any additional costs that have already been accounted for in previous decisions and shall therefore only award costs for any preparation and consideration time for fresh matters related to these proceedings. Consequently, for these reasons and taking account of the scale, I award costs to CDC on the following basis:

Preparing and considering the notice of opposition and statement of grounds:	£300
Preparing evidence (Mr Chiu only) and considering the other side's evidence:	£500
Official Fee:	£200

55. I order Horizons Enterprises Ltd to pay Capital Distribution & Consulting Inc the sum of £1000 as a contribution towards its costs. This sum is to be paid within 21 days of the expiry of the appeal period or within 21 days of the final determination of this case, if any appeal against this decision is unsuccessful.

Dated this 27th day of August 2025

Leisa Davies

For the Registrar