

o/1119/22

IN THE MATTER OF THE TRADE MARKS ACT 1994

AND IN THE MATTER OF TRADE MARK APPLICATIONS NUMBERS 3,523,682 AND 3,523,676 IN THE NAME OF FEMME LUXE FASHION LIMITED

AND IN THE MATTER OF THE OPPOSITION UNDER NUMBER 422,925 BY MEDHI PISHBIN

AND IN THE MATTER OF TRADE MARK REGISTRATION NO 3,208,040 IN THE NAME OF FEMME LUXE FASHION LIMITED

AND IN THE MATTER OF AN APPLICATION FOR A DECLARATION OF INVALIDITY UNDER NO 503,706 BY NOBLE TRENDS LIMITED

AND IN THE MATTER OF TRADE MARK REGISTRATION NOS 3,496,153 AND 3510472 IN THE NAME OF NOBLE TRENDS LIMITED

AND IN THE MATTER OF AN APPLICATION FOR A DECLARATION OF INVALIDITY UNDER NOS 503,757 AND 503,758 BY FEMME LUXE FASHION LIMITED

AND IN THE MATTER OF AN APPEAL FROM THE DECISION OF GEORGE SALTHOUSE (O/212/22) DATED 11 MARCH 2022

DECISION

Introduction

1. This is an appeal from the decision of Mr George Salthouse, for the Registrar, dated 11 March 2022 (O/212/22). This decision was a consolidation of one opposition and two applications for a declaration of invalidity.
2. On 18 August 2020, Femme Luxe Fashion Limited (FLF) applied to register two word marks FEME LUXE PREMIUM (No 3,523,682) and FEMME LUXE FASHION (No 3,523,676) in Class 25.
3. The Opponent, Mr Mehdi Pishbin, challenged the registration of both marks under section 5(2)(b) of the Trade Marks Act 1994 based on two earlier trade marks, FEMME LUXE (No 3,496,153) and FEMME LUXE FINERY (No 3,510,472). Both these marks are registered in Class 25.
4. On 12 April 2021, FLF applied to declare both of Mr Pishbin's marks invalid based on its earlier trade mark (No 3,208,040) in Class 25:

Femme Luxe

5. This trade mark was applied for on 22 January 2017 (and was put on the register on 14 April 2017).
6. By reason of an earlier application for a declaration of invalidity (made on 12 March 2021), Parmida Fashion Limited applied to declare the #040 mark invalid under section 5(4)(a) on the basis it owned an even earlier right in the mark FEMME LUXE. In June 2021, any and all goodwill and trade marks owned by Parmida were transferred to Noble Trends Limited and the invalidation application was continued in its name.
7. It was accepted before the Hearing Officer that the outcome of the invalidity application of Noble Trends would determine all the other cases before the Hearing Officer.
8. Accordingly, as the Hearing Officer granted Noble Trends's application for invalidity of the #040 mark, this in turn meant FLF's application for a declaration of invalidity of marks #153 and #472 failed and Noble Trends's opposition to FLF's application for marks #682 and #676 succeeded.

Standard of appeal

9. The standard of appeal is by way of review. Neither surprise at a Hearing Officer's conclusion nor a belief that he or she has reached the wrong decision will suffice to justify interference in this sort of appeal. Before that is warranted, it is necessary for me to be satisfied that there was a distinct and material error of principle in the decision in question or that the Hearing Officer was wrong. The principles to be applied were recently summarised by Joanna Smith J in *Axogen Corporation v Aviv Scientific Ltd* [2022] EWHC 95 (Ch) at [24]:

...I was referred to numerous cases on the subject (including *English v Emery Demibold & Struck Ltd* [2002] 1 WLR 2409, *REEF Trade Mark* [2003] RPC 5, *Fine & Country Ltd v Okotoks Ltd* [2014] FSR 11, *Fage UK Ltd v Chobani UK Ltd* [2014] EWCA Civ 5, *Shanks v Unilever Plc* [2014] RPC 29, *TT Education Ltd v Pie Corbett Consultancy* [2017] RPC 17, *Apple Inc v Arcadia Trading Limited* [2017] EWHC 440 (Ch), *Actavis Group PTC v ICOS Corporation* [2019] UKSC 1671 and *NINEPLUS O/039/21*), the approach of the appeal court to a statutory appeal under section 76(1) of the TMA is uncontroversial. I bear the following principles, relevant to the issues before me, firmly in mind:

- i) The appeal is by way of a review, not a rehearing (see *TT Education Ltd v Pie Corbett Consultancy Ltd* (O/017/17) at [52(i)]);
- ii) The appeal court will allow an appeal where the decision of the lower court was "wrong" (see CPR 52.11). Neither surprise at a Hearing Officer's conclusion, nor a belief that he or she has reached the wrong decision suffices to justify interference (*NINEPLUS O/039/21* at [14]);
- iii) The decision of the lower court will be "wrong" if the judge makes an error of law, which might involve asking the wrong question, failing to take account of relevant matters or taking into account irrelevant matters. Absent an error of law, the appellate court would be justified in concluding that the decision of the lower court was wrong if the judge's conclusion was "outside the bounds within which reasonable disagreement is possible" (*Actavis Group* at [81]);
- iv) The approach required by the appeal court depends on a number of variables including the nature of the evaluation in question (*REEF Trade Mark* [2003] RPC per

at [26]). There is a “spectrum of appropriate respect for the Registrar's determination depending on the nature of the decision” (*TT Education* at [52(ii)]), with decisions of primary fact at one end of the spectrum and multi-factorial decisions ... being further along the spectrum.

v) In the case of a multifactorial assessment or evaluation, involving the weighing of different factors against each other, the appeal court should 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. Special caution is required before overturning such decisions (*TT Education* at [52(iv)], *REEF* at [28] and *Fine & Country* at [50]-[51]).

vi) An error of principle is not confined to an error as to the law but extends to certain types of error in the application of a legal standard to the facts in an evaluation of those facts. The evaluative process is often a matter of degree upon which different judges can legitimately differ and an appellate court ought not to interfere unless it is satisfied that the judge's conclusion is outside the bounds within which reasonable disagreement is possible (*Actavis Group* at [80]).

vii) Another variable to be taken into account will be “the standing and experience of the fact-finding judge or tribunal” (*REEF* at [26], *Actavis Group* at [78]). Expert tribunals are charged with applying the law in the specialised fields and their decisions should be respected unless it is quite clear that they have misdirected themselves in law. Appellate courts should not rush to find such misdirections simply because they might have reached a different conclusion on the facts (*Shanks* at [28] citing the warning given by Baroness Hale in *AH (Sudan) v Secretary of State for the Home Department* [2007] UKHL 49).

viii) The appellate court should not treat a judgment as containing an error of principle simply because of its belief that the judgment or decision could have been better expressed; “The duty to give reasons must not be turned into an intolerable burden” (see *REEF* at [29]). The reasons need not be elaborate. There is no duty on a judge, in giving her reasons, to deal with every argument presented by counsel in support of his case. It is sufficient if what she says shows the basis on which she has acted (*English* at [17], *Fage* at [115]). The issues the resolution of which were vital to the judge's conclusions should be identified and the manner in which she resolved them explained (*English* at [19]).

ix) In evaluating the evidence, the appellate court is entitled to assume, absent good reason to the contrary, that the first instance judge has taken all of the evidence into account (*TT Education* at [52(vi)]).

10. When considering this appeal, and applying these principles, it is important to remember the high bar set.

Factual background

11. The factual background to the case is not straightforward, but I will summarise the key events.
12. Femme Luxe Limited was incorporated on 30 December 2015. One of its directors, Bobak Samari, is now a director of Femme Luxe Fashion Limited (FLF, the Appellant). The 2015 company traded using the mark FEMME LUXE from March 2016. The Hearing Officer found that by 22 January 2017 more than trivial goodwill had been developed in the mark FEMME LUXE (Decision, [31]).
13. The 2015 company applied to register mark #040 on 22 January 2017. It is important to note that on 22 January 2017 the company owned *both* the goodwill and the application to register the mark.

14. In early 2017, the directors of the 2015 company decided that it was not a success and that it should cease trading and enter into liquidation.
15. The #040 mark completed the registration procedure and was entered on the register on 14 April 2017. At this time the 2015 company (whether or not it was still trading) still owned both the goodwill and the trade mark.
16. In May 2017, the Hearing Officer found that Stylish Ladies Ltd purchased the 2015 company's domain name and goodwill. This in turn was sold on to Parmida Fashion Limited in June 2017. The only evidence of the sale to Stylish Ladies was a "Request for Payment" which included the items sold as including "Goodwill". This "Goodwill" was valued at £500 (Exhibit SL04).
17. As an undistributed asset of the liquidation the #040 mark vested in the Crown as Bona Vacantia. On 10 November 2020, the Appellant purchased the #040 mark from the Duchy of Lancaster.
18. Accordingly, the goodwill and the #040 mark were both owned by the 2015 company on the relevant date (and at the time the #040 mark was entered on the register). However, now the goodwill is claimed by the Respondent and the #040 mark is held by the Appellant.

Grounds of Appeal

19. The Appellant originally challenged the Hearing Officer's decision on four grounds. First, the Hearing Officer improperly relied on evidence that was not adduced. Secondly, he erred in calculating when Femme Luxe Limited ceased trading. Thirdly, he erred in determining there was sufficient goodwill. Fourthly, he was wrong to find that this goodwill had passed to Parmida (and now Noble Trends). Finally, there was a catch-all ground that the totality of the errors made the decision wrong.
20. During the course of the first Hearing, I asked Mr Lowry whether the common ownership of the goodwill and the #040 mark on the relevant day might be material to whether there was a misrepresentation or not. This led Mr Lowry to make an oral application to add a new ground of appeal. In light of the fact the Respondent was not represented and had no notice of the application, I directed that both parties should file written submissions as to whether the new ground of appeal should be allowed.
21. In its written application, the Appellant requested to amend the grounds of appeal to challenge the finding that there was a misrepresentation in light of the common ownership. The Respondent submitted that the application to amend was not timely. Indeed, it is apparent that the issue of whether there was a misrepresentation or not was not considered by the Hearing Officer at all due to the similarity of the marks and goods.

22. Accordingly, the Appellant requested that I exercise my discretion to allow a new point to be argued before me which was not raised before the Hearing Officer, as well as making an application to amend very late.

New point

23. The approach to whether a new point should be allowed on appeal is commonly taken from Nourse LJ's judgment in *Pittalis v Grant* [1989] QB 605 at 611:

The stance which an appellate court should take towards a point not raised at the trial is in general well settled: see *Macdougall v. Knight* (1889) 14 App. Cas. 194 and *The Tasmania* (1890) 15 App. Cas. 223. It is perhaps best stated in *Ex parte Firth, In re Cowburn* (1882) 19 ChD 419, 429, per Sir George Jessel M.R.:

“the rule is that, if a point was not taken before the tribunal which hears the evidence, and evidence could have been adduced which by any possibility would prevent the point from succeeding, it cannot be taken afterwards. You are bound to take the point in the first instance, so as to enable the other party to give evidence.”

Even if the point is a pure point of law, the appellate court retains a discretion to exclude it. But where we can be confident, first, that the other party has had opportunity enough to meet it, secondly, that he has not acted to his detriment on the faith of the earlier omission to raise it and, thirdly, that he can be adequately protected in costs, our usual practice is to allow a pure point of law not raised below to be taken in this court. Otherwise, in the name of doing justice to the other party, we might, through visiting the sins of the adviser on the client, do an injustice to the party who seeks to raise it.

24. More recently, the principles were restated by Haddon-Cave LJ in *Singh v Dass* [2019] EWCA Civ 360:

15. The following legal principles apply where a party seeks to raise a new point on appeal which was not raised below.

16. First, an appellate court will be cautious about allowing a new point to be raised on appeal that was not raised before the first instance court.

17. Second, an appellate court will not, generally, permit a new point to be raised on appeal if that point is such that either (a) it would necessitate new evidence or (b), had it been run below, it would have resulted in the trial being conducted differently with regards to the evidence at the trial (*Mullarkey v Broad* [2009] EWCA Civ 2 at [30] and [49]).

18. Third, even where the point might be considered a 'pure point of law', the appellate court will only allow it to be raised if three criteria are satisfied: (a) the other party has had adequate time to deal with the point; (b) the other party has not acted to his detriment on the faith of the earlier omission to raise it; and (c) the other party can be adequately protected in costs. (*R (on the application of Humphreys) v Parking and Traffic Appeals Service* [2017] EWCA Civ 24 at [29]).

25. Further, it was emphasised in *Notting Hill Finance Ltd v Sheikh* [2019] EWCA Civ 1337, [28] that:

where the point sought to be taken on appeal is a pure point of law which can be run on the basis of the facts as found by the judge in the lower court...it is far more likely that the appeal court will permit the point to be taken, provided that the other party has time to meet the new argument and has not suffered any irreparable prejudice in the meantime.

26. These statements of law were all adopted by the Supreme Court in *Test Claimants in the Franked Investment Income Group Litigation v Revenue and Customs* [2020] UKSC 47, [86] to [90].

27. The question of whether the common ownership of the goodwill and the mark #040 on the relevant date means that an objection under section 5(4)(a) must fail is one of pure law.
28. Thus, I will start with the proposition from *Pittalis* that the “usual practice is to allow a pure point of law not raised below to be taken [on appeal]” subject to the three considerations identified in *Singh v Dass*. First, there is the question of whether the Respondent has had time to deal with the point. I indicated in the hearing on 18 July 2022 that if I allowed the amendment to the grounds to be made there would need to be another hearing. This being the case there would be plenty of time to address the point. Secondly, there is no evidence before me that the Respondent has acted to its detriment based on the Appellant’s failure to take this point below. Thirdly, the Respondent did not appear at the original appeal hearing and so incurred no costs associated with that hearing and so no costs protection is needed.

Late amendment

29. The application to amend was made very late indeed in that the oral application was made following questions from me at the end of the Appellant’s submissions. At the time of deciding the application, my preliminary view (as indicated to the parties during the hearing on 18 July 2022) was that common ownership of the relevant goodwill in the mark and the mark in suit on the relevant date precluded a successful opposition under section 5(4)(a). Where an amendment is made late, the Appellant must have a good explanation for the delay. The difficulty the Appellant faces is that it appears that it only saw the value in the point once I had asked a related question during the Hearing. The only real explanation for the delay, therefore, is that the Appellant had not thought of the point.
30. Even though there is no excuse for not raising the issue before the July hearing and it is quite probable it would not have occurred to the Appellant but for my comment in that hearing, the strength of the point being raised (and the potential for it to have wider significance) means that I allowed the amendment, notwithstanding its lateness. There was therefore a further hearing on 11 November 2022 considering the new ground of appeal only.
31. I will now turn to consider each of the grounds of appeal.

Common ownership

32. I will address the new ground of appeal first.
33. It is clear that any right to object to a registration under section 5(4)(a) on the grounds of owning an earlier right can pass to any successor in title to the goodwill: *Kurobuta Ltd v Hallsworth* [2021] RPC 13, [35 and 36]. Accordingly, if A owns goodwill in an earlier mark on the relevant date and subsequently assigned that goodwill (and accrued rights) to B. B can object to C’s application to register a trade mark based on that goodwill.

34. The facts in this case are different and more complicated due to the chain of transactions, but they can be simplified to explain the issue in dispute as follows. A owns the goodwill and so holds the earlier right in FEMME LUXE, and while still owning that goodwill A applies to register the trade mark FEMME LUXE. A then assigns the goodwill to B and the trade mark to C. Can B now oppose C's application for the trade mark FEMME LUXE (or seek its invalidity)? In my judgment, the answer is no and so where there is common ownership of the earlier right and the trade mark application on the relevant date, B cannot oppose C's application even if B subsequently acquires the requisite goodwill. I come to this view for the following reasons.
35. First, and foremost, if A had sold goods on the relevant date under the mark FEMME LUXE there would be no passing off. The form of passing off relevant to this case requires the public to believe that the goods sold under the mark FEMME LUXE were connected to A when in fact there is no such connection (a *false* representation is made by reason of the sign FEMME LUXE being used). But in this case, any goods sold under FEMME LUXE on the relevant date by the trade mark applicant (that is A) would not lead to any misrepresentation as the connection to A would be a truthful one.
36. If the goodwill owned by A did not entitle A to oppose the registration of its trade mark then A cannot transfer any right to object to the registration to B. This is a simple application of the maxim *nemo dat quod non habet* (a person cannot give a greater interest than he or she has). The *nemo dat* rule applies absent a statutory provision to contrary effect: see *Skelwith v Armstrong* [2015] EWHC 2830(Ch), [2016] Ch 345, [54]. Accordingly, a successor to A cannot object to registration based on rights owned by A, where those rights did not entitle to A itself to object on that basis on the relevant date.
37. Secondly, if pre-existing goodwill in a sign could be used to oppose or declare invalid a trade mark consisting of that sign, then section 24(1) of the Trade Marks Act 1994 would be fundamentally undermined. This provision provides that a registered trade mark is "transmissible either in connection with the goodwill of a business or independently". Any independent transmission of a registered trade mark would be futile if that mark could be immediately revoked by the person still holding the goodwill (subject to any estoppel).
38. Thirdly, it is provided by section 5(5) that where there is consent to registration by the holder of the earlier mark or right then registration cannot be prevented under section 5. Where the consent is given by a third party there will usually be some form of consent agreement, but where the earlier right or mark is owned by the same person there would be no need for any agreement.
39. It appears to me that where marks (or earlier rights) are commonly owned then the mark is registered with consent. If a mark is registered with consent (whether or not the consent was contractual or not) it would be quite wrong for that consent to be withdrawn retrospectively after registration (absent misrepresentation, fraud or similar). It may be complexities arise where there was common ownership at the time of filing, but not

when the registration procedure was complete; but that is not the situation here and so I do not need to consider it.

40. Accordingly, I allow the appeal on the new ground.

Other grounds of appeal

41. As I have already allowed the appeal, I will consider the other grounds of appeal only briefly.

Error related to social media evidence

42. The Appellant objects to the Hearing Officer's finding that before the relevant date the mark FEMME LUXE had been "advertised on social media" (Decision, [15]). It is right that there was no evidence of social media usage. However, I do not believe that this mistake was material. As I find below, there was more than enough evidence before the Hearing Officer to conclude there was sufficient goodwill in the mark FEMME LUXE on the relevant date. I therefore reject the first ground of appeal.

Error related to liquidation date

43. The Appellant also objects to the Hearing Officer's finding that "The company began trading in March 2016 and entered into liquidation a year later" (Decision, [15]). It is correct that the liquidation did not start until June 2017 and so strictly speaking the Hearing Officer's statement is misleading. However, it appears that the Hearing Officer's statement is a summary of the first paragraph of Mr Samari's Witness Statement of 4 October 2021. This suggested that FFL began trading in March 2016 and did so for slightly over a year.

44. It is my view that nothing turns in this case on whether the company had merely ceased trading or formally entered liquidation in terms of whether sufficient goodwill existed in the mark FEMME LUXE on the 22 January 2017. I think the Hearing Officer was entitled and right to accept Mr Samari's assertion that trading stopped slightly over a year after March 2016. He was also right not to consider the trading to continue until the valuation of the assets in May 2017. I therefore reject the second ground of appeal.

There was insufficient goodwill to support a claim

45. The Hearing Officer concluded that FFL had entered 7,232 transactions (some dummy) using the mark FEMME LUXE between 19 June 2016 and 21 January 2017 and this had led to sales with a value of £279,654 (Decision, [31]). There is a host of cases where very low levels of sales have been found sufficient to generate protectable goodwill. The lowest level of acceptable goodwill is usually said to be demonstrated by *Stannard v Reay* [1967] RPC 589 where in a little over three weeks a fish and chips van sold £129 7s 6d (now about £2,500) worth of product in the Isle of White.

46. The sales in this case are well above that low point and they are closer to the sales figures which were considered sufficient to generate protectable goodwill in *Stacey v 20/20 Communications* [1991] FSR 49 and *Teleworks v Telework Group* [2002] RPC

27. While the Hearing Officer went on to discuss the market share, it was held in *Lumos v Sweet Squared* [2012] EWPC 22 (overturned on different grounds in [2013] EWCA Civ 590) that a small market share does not preclude the development of protectable goodwill.

47. Finally, the fact that the goodwill was eventually sold for £500 does not help very much as to whether there was protectable goodwill on the relevant date. Even if it is assumed that the sale price represents the highest possible price that could be achieved for the goodwill in the marketplace, this does not mean it represents the goodwill protectable under the law of passing off. First, the goodwill of a business is not just the goodwill in the mark but extends to other things. This might suggest that the £500 is an over valuation. On the other hand, the £500 represents the value in exchange of that goodwill, and not the value in use. In simple terms, the goodwill in the mark might be a lot more valuable to the seller in its use to protect the brand than it would be when sold on the open market to someone else. Finally, there is no evidence as to how the goodwill was valued and the basis of valuation could just as well have been right as wrong.
48. The number of transactions and the value of the sales were sufficient, in my view, to create protectable goodwill in the mark FEMME LUXE. I therefore reject the third ground of appeal.

There was no transfer of the goodwill in the mark

49. The evidence that the goodwill in the mark FEMME LUXE was transferred to Stylish Ladies is little more than a Request for Payment with a payment date of 15 May 2017 and a list of items including “Goodwill” (Exhibit SL04) and a figure of £500.
50. The Appellant argues that this word “Goodwill” should be interpreted in accordance with an explanation of that term set out in the Chartered Surveyors Valuation Global Standards 2017 (extracted in Decision, [15]). Accordingly, the Appellant submits, “Goodwill” here would not have included the goodwill associated with the trade mark. The Hearing Officer rejected this finding ultimately concluding:
- The goodwill in the instant case would have been the residual goodwill in the business which had ceased trading but was not yet in liquidation, or at the very least [sic] the goodwill accrued by the website sales which are inextricably linked to the mark.
51. I reject the Appellant’s submission as to the relevance of the Valuation Standards. There is nothing to suggest how the items listed in the Request for Payment had been valued, and whether this was even done by a Chartered Surveyor (and this is not affected by the receipt of the money being included in the Liquidator’s Abstract – Exhibit SL07). Indeed, the submission by the Appellant would require expert evidence as to how valuations are conducted and Requests for Payment are drawn up. There was no such evidence, and it would be wrong to read the single word “Goodwill” as bringing in the Valuation Guidance belt-and-braces.
52. On the other hand, basing a claim under section 5(4) on being the successor to the original holder of the goodwill based alone on the word “Goodwill” in a Request for

Payment is far from satisfactory. It is unclear what is included or not in the word “Goodwill” simpliciter without any assignment or other document behind it (and whether for instance, it includes any accrued rights of action for passing off). Yet it is clear something was sold to Stylish Ladies and the “residual” goodwill seems a logical conclusion.

53. While I am dubious about the Request for Payment being enough evidence of what was transferred on its own, it is clear that Stylish Ladies (and then Parmida) thought that it could use the name FEMME LUXE. So at least one party to the transaction believed that the goodwill in the mark had transferred (as the Hearing Officer indicates, Decision [33]). Likewise, Mr Samari worked for Parmida when the mark was being used and he was the director of FFL when the Request for Payment was issued on behalf of FFL. And he raised no objection regarding Parmida’s entitlement to the goodwill or to use the mark. On balance, I think the parties to the Request for Payment were transferring the relevant goodwill. Accordingly, the Hearing Officer was entitled to conclude as he did. I therefore also reject this ground of appeal.
54. The fifth catch-all ground of appeal that the totality of mistakes makes the decision unsafe need not be considered in light of my earlier findings.

Conclusion

55. I grant the appeal on the new ground, but reject it on all other grounds. Accordingly, as Nobel Trends’s application for invalidity of the #040 mark has been dismissed, in turn, this means FFL’s application for a declaration of invalidity of marks #153 and #472 succeeds and Noble Trends’s opposition to FFL’s application for marks #682 and #676 fails.

Costs

56. There were two separate hearings in this appeal. The first hearing addressed all the failed points, and the Respondent did not attend. I make no costs award in relation to this hearing. The second hearing was concerned solely with the new ground and both parties attended. I award the Appellant £1,000 in relation to this second hearing.
57. The costs award of the Hearing Officer in favour of the Respondent must also be discharged. The issue in respect of which the Appellant was ultimately successful was not raised below. I therefore make no order for costs in relation to the proceedings before the Hearing Officer other than awarding the Appellant £200 to cover the official fees paid in relation to its invalidation application.
58. Accordingly, the Respondent must pay £1,200 to the Appellant as a contribution to its costs within 21 days of the date of this decision.

PHILLIP JOHNSON
THE APPOINTED PERSON
16 December 2022

Representation

For the Appellant: Stephen Lowry of Barker Brettell LLP

For the Respondent: Andrew Marsden of Wilson Gunn