

O-139-06

**TRADE MARKS ACT 1994**

**IN THE MATTER OF APPLICATION No. 2324871  
STANDING IN THE NAME OF FLETCHER INTERNATIONAL LTD**

**AND**

**IN THE MATTER OF A REQUEST FOR A DECLARATION  
OF INVALIDITY THERETO UNDER No. 81787  
BY FLETCHER BOATS LIMITED**

## **TRADE MARKS ACT 1994**

**IN THE MATTER OF Registration No. 2324871  
standing in the name of Fletcher International Ltd**

**and**

**IN THE MATTER OF a request for a declaration  
of Invalidity thereto under No. 81787  
by Fletcher Boats Limited**

### **BACKGROUND**

1. The trade mark **Fletcher** was applied for on 25 February 2003. The registration procedure was completed on 13 February 2004.

2. The mark stands registered for a specification of goods reading:

Boats; pleasure boats; pneumatic boats; boat hulls; vehicles, vessels and apparatus for locomotion by water; ships and water vehicles; parts and fittings for all the aforesaid goods.

3. It stands in the name of Fletcher International Ltd (previously Ocean Trading LLC).

4. On 28 June 2004 Fletcher Boats Limited applied for a declaration of invalidity in respect of this registration (No. 2324871).

5. Invalidity is sought under both Section 47(1)/3(6) and 47(2)/5(4)(a) of the Act on the basis of circumstances which are set out in the statement of grounds in the following terms:

1. This application is made by Fletcher Boats Limited (formerly SBS Mouldings Limited trading as Fletcher Boats Industrial GRP Mouldings) (hereinafter referred to as “the Applicant”). The Registered Proprietor is Ocean Trading LLC (hereinafter referred to as the “Registered Proprietor”).
2. Fletcher Boats Ltd (“Fletcher Boats”) traded for 40 years up until 2002. It developed designs, manufactured pleasure boats and as a result acquired substantial goodwill and a reputation in the boating arena. Its name became synonymous with quality.
3. In 2002 Fletcher Boats got into financial difficulty. As a consequence of the goodwill attached to the Fletcher name, Aquarian Services Limited bought the Fletcher name and goodwill from the Administrative Receivers of Fletcher Boats and changed its name to Fletcher Products. Unfortunately, Fletcher Products went into receivership.
4. The Applicant (then called SBS Mouldings Limited) purchased property from the Administrative Receivers of Fletcher Products in February 2003. In

particular, the Applicant purchased the goodwill, the Fletcher name and the intellectual property rights of the company. An invoice was raised by the Administrative Receivers and a copy is attached.

5. At the time, the Applicant purchased the Fletcher name (as well as the Intellectual Property rights and goodwill) the Applicant was approached by the Registered Proprietor with a view to making a joint bid. The Applicant refused.”

6. The applicant contends that the registered proprietor thus knew of its (the applicant’s) interest in the mark and that it was an act of bad faith to have registered the mark in these circumstances contrary to Section 3(6).

7. The applicant goes on to claim that:

“7. Further and in the alternative, the applicant believes that the public may be misled by the Registered Proprietor’s use of the name “Fletcher”. The Fletcher brand is associated with quality speed boats. It is an intrinsic or inherent feature of the trade mark that Fletcher means quality. The Registered Proprietor does not have any factory manufacturing processes, systems or quality control to produce boats to the quality that were produced by the Applicant. The public may be deceived as to quality. In this respect, the registration is contrary to section 5 of the Trade Marks Act 1994. (Relative Grounds). Further and in the alternative the public may be deceived that the boats produced by the Registered Proprietor are produced by the Applicant. (Relative Ground: s5(4) Trade Marks Act 94).”

8. Subsequent explanatory comment makes it clear that the second of the objections in the above paragraph is intended to invoke the law of passing off.

9. The final point that I should mention is that the registered proprietor is put to proof that it is a bona fide body corporate capable of holding the registration at all relevant times.

10. The registered proprietor filed a counterstatement in terms which deny the grounds of objection. The nub of its case is set out in the following paragraphs:

“1. It is admitted that the Applicant purchased property from the Administrative Receivers of Fletcher Products Limited in or about February 2003. The said property consisted of unfinished boats, components therefore, plant and machinery. It is expressly denied that “*goodwill, the Fletcher Name*” or the intellectual property in the designs of boats formerly manufactured and sold by Fletcher Products Limited was included in the said purchase. The invoice exhibited merely refers to “*whatever rights title and interests if any*” in the same.

2. It is admitted that the former Registered Proprietor approached the applicant with a view to making a joint offer for the goodwill in the “Fletcher” name and brand and that the Applicant refused the said approach. However, in the course of the said approach and prior to the conclusion of the purported sale between the Administrative Receivers of Fletcher Products Limited and the

Applicant, the Applicant was placed on notice by the former Registered Proprietor that:-

- (i) the Administrative Receivers of Fletcher Products Limited could not transfer title to the said goodwill in the "Fletcher" name and brand or the intellectual property in the designs of Fletcher boats, both of which, together with the original moulds for Fletcher Boats, were the personal property of a former director of Fletcher Products Limited and were not subject to the charge under which the Administrative Receivers acted;
- (ii) that the only interest Fletcher Products Limited owned in the said goodwill and intellectual property rights was a bare licence which had been revoked on the company's insolvency;
- (iii) that any offer for the said goodwill, intellectual property rights and moulds should be made to the said former director or his agents independently of any offer to the said Administrative Receivers.

In response to the said approach, in a telephone conversation in or about February 2003 between Mr Tony Wyer [sic] of the Applicant and Mr Marshall Rice of the former Registered Proprietor in which the foregoing matters were reiterated, Mr Wyer acknowledged the foregoing matters and responded with the words "We're happy with what we're getting, thank you".

3. It is expressly denied that the Registered Proprietor or its predecessor has acted in bad faith. The former Registered Proprietor acquired the goodwill in the "Fletcher" name and brand, the intellectual property rights in Fletcher boats and the original moulds relating to the same properly and in accordance with intentions of which it gave the Applicant advance notice as set out above.
4. It is expressly denied that the "Fletcher" brand is associated with any particular level of quality. Without prejudice to the generality of the foregoing, between 1997 and 2000 or thereabouts the then holders of the "Fletcher" brand imported boats manufactured by Galeon of Poland, applied the Fletcher brand to them and marketed them under the same. The Registered Proprietor has entered into an agreement with the sole distributor in the UK of the said Galeon boats with a view to similarly marketing certain of them under the "Fletcher" brand. The Registered Proprietor having also acquired the original Fletcher moulds from which it intends to manufacture certain other models, the boats which it intends to market under the "Fletcher" brand will have considerably more in common with those formerly marketed under the same and with which any reputation is associated that those of the Applicant. The moulds used by the Applicant have been manufactured by it and are not of the same quality or capable of producing boats to the same quality of finish or detail as the original moulds."

11. Finally, I should record the registered proprietor's claim that the applicant has acquiesced to the said registration.

12. Only the applicant has filed evidence in these proceedings.

13. The matter came to be heard on 3 May 2006 when the applicant was represented by Mr J Hill of Counsel instructed by Bell Lax Solicitors and the registered proprietor by Mr M Rice.

### **Applicant's evidence**

14. The applicant filed a witness statement by Anthony John Wyer, its Managing Director. The first part of his statement gives some of the history of Fletcher Boats. The main points to emerge are that:

- the company was formed in 1960 by Norman Fletcher, the first class III offshore sailing champion;
- the company designed and manufactured pleasure boats and is said to have enjoyed a worldwide reputation for the quality and technological excellence of its sports boats and sports cruisers;
- it was based at a purpose built factory on a nine acre site in Staffordshire and at one time employed 150 people;
- since the early 1960s over 80,000 boats have been sold worldwide;
- examples of brochures showing use of the Fletcher name from 1991, 2000 and 2001 are exhibited at AW8 to AW10;
- the boats were specifically designed to handle European waters.

15. Mr Wyer refers to the following passage from the November 2003 of Sportsboat and Rib magazine as evidence of the reputation enjoyed by Fletcher boats (Exhibit AW1):

“In UK sports boating there is one name that comes up over and over again. Look through any brokerage lists and one British name is dominant. Fletcher. It is a household word in boating. Ask anyone in the street and the chances are they will have heard of Fletcher speedboats. We sent Simon Everett to test the very latest Fletcher 15.”

and, to similar effect, the following extract from an article in MBM (Motor Boats Monthly) in September 2003 (Exhibit AW2):

“One of the more bizarre statistics that gets bandied about the motor industry is that nine out of ten car owners have driven or been driven in a mini. I would not mind betting that roughly the same figures hold true for boat owners and Fletchers. Whole generation of motor boaters have grown up in awe of the ubiquitous little sport boats from Burntwood in Staffordshire.”

16. Mr Wyer goes on to describe the financial difficulties that Fletcher Boats got into in 2002 as set out in the statement of grounds and his negotiations with the Administrative Receivers with a view to purchasing the company's assets including the right to use the Fletcher name. He says that Jonathan Lamb of KPMG who assisted the Administrative

Receivers confirmed that the sales of the assets would and did include the right to use the Fletcher name. He also refers to the approach received from Marshall Rice of the registered proprietor with a view to making a joint offer for the Fletcher assets and name – an offer that he rejected.

17. In the event, an offer was made to KPMG through Fruhman Davis Livingstones (solicitors). A copy of the offer letter is exhibited at AW3 and reads:

**“Re: Fletcher Products Limited (In Administrative receivership)**

Further to our letter of 13<sup>th</sup> of February, Mr Stuart Blake has instructed us to make an offer, subject to Contract, of £88,000 for the following in relation to the above company:-

1. goodwill
2. The Fletcher name
3. the intellectual property right
4. any Fletcher built drawings
5. stock plus any equipment and office furniture not covered by the first receiver.”

18. The offer letter was dated 20 February 2003. On the same day KPMG replied to SBS’s offer in the following terms:

**“Re: Sale of Fletcher Products Limited (In Administrative Receivership) acting by Joint Administrative Receivers (“the Seller”) and Mark Jeremy Orton and Myles Anthony Halley (“the Receivers”).**

We record your interest in buying whatever right title and interest (if any) in the assets as listed in your offer (attached) from the Seller acting by the Receivers for the sum of £88,000 plus VAT. Please sign and date this letter to confirm that you agree that the sale will only proceed on the conditions attached and that in the event that you purchase the assets, the sale to you will only take place on the basis of being governed by this letter and the attached terms and conditions.”

19. A copy of this letter is also exhibited as part of AW3. I note that, beneath the above text, the receiver and signatories on behalf of SBS (including Mr Wyer) accepted the conditions. Five days after the purchase was concluded Ocean Trading LLC applied to register the mark **Fletcher**. Mr Wyer expresses the view that at the time this application was filed the (now) registered proprietor knew that it had failed to purchase the name and goodwill legitimately and so tried to obtain the name through other means. In doing so it is suggested that Ocean Trading LLC (now Fletcher International Ltd) acted outside the normal standards of commercial behaviour.

20. Mr Wyer goes on to describe the trade conducted by his company since acquiring the goodwill of the business and the right to use the Fletcher name. I do not propose to record this part of the evidence as it relates to the period after the filing date of the application and is not strictly relevant to the issues before me (see, inter alia, Article 4.4(b) of First Council Directive 89/104, on which Section 5(4)(a) is based, which requires the earlier right to have been acquired prior to the date of application). It is sufficient to record that SBS (now

Fletcher Boats Ltd) has continued the trade conducted under the **Fletcher** mark by Fletcher Products.

21. I should, however, refer to two further exhibits (AW11B and AW12) which are advanced as evidence that Ocean Trading LLC/Fletcher International Ltd's registration had been noted with concern by the applicant's agent network and the wider industry. Exhibit AW11B is a letter dated 19 May 2005 from Bates Wharf Marine Sales, a Fletcher dealer. However, the letter is headed "To whom it may concern" and appears to have been generated for the purpose of these proceedings rather than being a spontaneous or contemporary document. I consider that I can accord it little, if any, weight. Of rather greater interest is a press release dated April 2004 under Mr Wyer's name setting out the applicant's claim to title of the mark and disassociating his company from Ocean Trading. Unfortunately, it is not clear how widely or to whom the press release was promulgated though I note it contains a request to 'Editorial Staff' to refer articles or references to the issuer for clarification. It seems likely, therefore, that the press release was directed at the trade press.

22. That completes my review of the evidence to the extent I consider it necessary.

### **Preliminary point**

23. By letter dated 11 March 2006, Mr Rice filed evidence on behalf of the registered proprietor (the evidence and covering letter were not received in the Patent Office until 16 March 2006). As the evidence rounds had by this time been completed, this appears to have been a request to file evidence under the provisions of Rule 33(A)(6) of the Trade Marks Rules 2000 (as amended). The Registry wrote to the registered proprietor on 17 March 2006 indicating that the matter could not be considered without full and detailed reasons in support of the request. Mr Rice responded to this letter on 20 March 2006 indicating that the evidence was previously unavailable and that "it has only recently come to light in the course of disclosures made by former directors of Fletcher Products Ltd pursuant to negotiations on behalf of the Registered Proprietor for the acquisition of certain business assets."

24. The Registry replied to this letter on 28 March 2006. At my request the Registry's letter raised an issue to do with a confidentiality request contained within the body of the evidence that was sought to be admitted. This request appears in part at least to be the reason why a copy of the evidence had not at this stage been sent to the applicant for invalidity. In the event it was conceded on behalf of the registered proprietor that the confidentiality request related to the public availability of the document and that it was in order (at least for the purpose of progressing matters towards the hearing) for it to be copied to the other side.

25. Thereafter, the applicant's skeleton argument indicated that, having had a chance to consider the witness statement, it was content for it to be admitted.

26. The position thereby adopted by the applicant for invalidity is arguably a generous one having regard to the usual criteria against which requests for further evidence are to be considered (these are conveniently summarised in *Wunderkind Trade Mark*, 2002 R.P.C. 45 which in turn refers to, inter alia, *Ladd v Marshall*, 1954 1 WLR 1489 and *Hunt Wesson Inc's Trade Mark Application*, [1996] RPC 233). However, in the circumstances I agreed to the admission of the evidence in question. The only outstanding matter, therefore, is whether the contents of Mr Rice's witness statement should be kept confidential, that is to say excluded from public inspection. This point fell for consideration at the substantive hearing. In view

of the content of the document, its marginal relevance to the issue before me and the fact that the applicant raised no objection I directed that the witness statement should not be available for public inspection.

## DECISION

### Section 5(4)(a)

27. Section 5(4)(a) of the Act reads:

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, or
- (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.

28. The requirements for this ground of opposition have been restated many times and can be found in the decision of Mr Geoffrey Hobbs QC, sitting as the Appointed Person, in *WILD CHILD Trade Mark* [1998] RPC 455. Adapted to invalidity proceedings, the three elements that must be present can be summarised as follows:

- (1) that the applicant for invalidity's goods have acquired a goodwill or reputation in the market and are known by some distinguishing feature;
- (2) that there is a misrepresentation by the registered proprietor (whether or not intentional) leading or likely to lead the public to believe that goods offered by the registered proprietor are goods or services of the applicant for invalidity.
- (3) that the applicant for invalidity has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the registered proprietors misrepresentation.

29. It is common ground between the parties that the FLETCHER brand of sports boats is long established in the market place and that goodwill attaches to the business. What is in dispute is the ownership of the goodwill following the demise of Fletcher Boats Ltd. Mr Wyer says that Aquarian Services Limited bought the name and goodwill. Aquarian subsequently changed its name to Fletcher Products Ltd. The latter in turn went into receivership in 2003. The current applicant (under its previous name) is then said to have purchased the relevant property rights from the receiver.

30. This devolution of title is disputed by Mr Rice who claims that the Fletcher name along with the original moulds were the personal property of a former director of Fletcher Products Ltd and were not, therefore, the Administrative Receiver's to dispose of.

31. Unfortunately, there is no documentary evidence in support of Mr Rice's version of events. As Mr Hill's skeleton argument pointed out the identity of the director is not disclosed and he has not, therefore, given evidence. A former director of Fletcher Products Ltd is named in Mr Rice's late filed evidence but it is not clear whether this is the individual referred to. There is no explanation as to the circumstances in which Fletcher Products came to be using the mark or how title then passed from the former director to Ocean Trading LLC (subsequently Fletcher International Ltd) or how the registered proprietor/Mr Rice came to be aware of the matters set out in the counterstatement and recorded in paragraph 10 above.

32. There was, of course, nothing that Mr Rice could do to fill these gaps at the hearing. His submissions, were, therefore, directed primarily at attacking the applicant's position and claims. The latter are based on, and turn crucially on, the dealings with the receiver of Fletcher Products Limited summarised at paragraph 17 to 19 above. Mr Rice's main criticisms were that the receiver's letter of 20 February 2003 is couched in cautious terms eg "We record your interest in buying whatever right title and interests (if any) in the assets as listed in your offer ....."; that the receiver's reply is more in the nature of what Mr Rice called a counter offer; and no company accounts, which might have disclosed information on use and ownership of marks, had been filed. He also rejected as hearsay the statement in paragraph 17 of Mr Wyer's witness statement that 'Jonathan Lamb of KPMG who assisted the Administrative Receivers confirmed that the sale of the assets to my company would and did include the right to use the Fletcher name'.

33. Taking the latter point first, I think Mr Rice is entitled to urge caution in placing reliance on the statement attributed to Mr Lamb and referred to in Mr Wyer's evidence. It is, indeed, hearsay. Whilst it is not to be rejected on that account alone, it does affect the weight to be accorded to the statement. Mr Hill's answer to this was that the statement was consistent with the documentary evidence and there was no reason to suppose it was not a fair reflection of the position. I do not consider that that is a sufficient answer to the problem identified by Mr Rice. Mr Lamb has not been called upon to give evidence. Mr Wyer does not suggest that paragraph 17 of his witness statement is based on contemporaneous notes and it is a recollection based on events some two years prior to his statement. I do not propose to place reliance on this part of the statement.

34. As to the other criticisms, it is true that the receiver's letter responding to Fruhman Davies Livingstone's offer on behalf of SBS (later Fletcher Boats) is careful in its choice of words referring as it does to "... whatever right title and interests (if any) ....". But, as Mr Hill submitted, it is in the nature of such communications to enter whatever caveats or disclaimers the writer considers necessary. Nor do I agree that the receiver's letter of 20 February 2003 can simply be dismissed as a counter offer. It was on its face a formal document that was the basis for the resulting transaction and contained the signatures of both the receiver and the prospective buyer to indicate that both sides agreed to the terms and conditions of sale. It was followed in very short order by confirmation from SBS that the necessary payment arrangements had been put in train.

35. Mr Rice's other criticism related to the absence of any company account which might have disclosed information on the use and ownership of the marks used in the business. Whilst it is true that no such information has been provided, it is far from certain that the accounts would have disclosed such information. I am not aware that it is normal practice for company accounts to contain more than a general statement as to goodwill. They do not usually go beyond that and deal with individual brands (of which a number appear to have

been in use in the business). I may be wrong in that view but it was, of course open to Mr Rice to file copies of such accounts himself if he felt they disclosed information that supported his position.

36. On a plain reading of the exchanges with the receiver exhibited at AW3, Fletcher Boats (SBS at the time) were clearly offering the sum of £88,000 plus VAT for assets which included the goodwill and the Fletcher name (in practice the two would be indivisible as the law of passing off does not protect the name itself but rather the business of which the name is the outward manifestation). That offer was accepted by the receiver and the transaction was concluded on that basis. As Mr Rice's claims in support of a different position are wholly unsubstantiated, the evidence supplied by the applicant seems to me to be sufficient to discharge the onus that is on it to establish its case.

37. However, I should just add that the demise of Fletcher Products Ltd was clearly known to those connected with, or having an interest in, that company. After all both Mr Wyer and Mr Rice were interested in bidding. It seems to me to be scarcely credible that a former director of that company who, according to Mr Rice's version of events, owned the goodwill in the Fletcher name and original moulds, did not notify the receiver of the fact to ensure that the latter was clearly on notice that these particular assets were not assets of the company to be disposed of. It is reasonable to infer that there was nothing in the paper work of Fletcher Products Ltd to alert the receiver to the fact that certain assets that were utilised in the company were not in fact owned by the company. Furthermore, it seems from the absence of evidence to the contrary that even to this day the former director has not taken issue with the receiver over the disposal of the assets in question.

38. The correspondence between SBS and the receiver in February 2003 must, I think, be seen against this background. It is not realistic to suppose that the receiver was knowingly disposing of assets that were not in the ownership of Fletcher Products Ltd. The wording of the receiver's letter of 20 February 2003 does not suggest anything more than the natural caution of someone in his position in entering such caveats as were deemed appropriate. It is in my view reasonable to infer that the receiver was not aware of any counterclaim in respect of the goodwill/Fletcher name which might have made it unsafe to agree to the sale of those assets.

39. In his late filed evidence, Mr Rice deals with issues to do with the quality of the product; certain claimed failings in the Fletcher brand; and the registered proprietor's own plans for improvement (the document itself is subject to my above mentioned confidentiality direction). This goes particularly to the issue of damage. As Mr Hill pointed out damage need not consist in the sale of inferior products under the mark. He relied on the following passage from *Irvine v Talksport* [2002] FSR 60 in support of his position:

“[T]he purpose of a passing off action is to vindicate the claimant's exclusive right to goodwill and to protect it against damage. When a defendant sells his inferior goods in substitution for the claimant's, there is no difficulty in a court finding that there is passing off. The substitution damages the goodwill and therefore the value of it to the claimant. The passing off action is brought to protect the claimant's property. But goodwill will be protected even if there is no immediate damage in the above sense. For example, it has long been recognised that a defendant cannot avoid a finding of passing off by showing that his goods or services are of as good or better quality than the claimant's. In such a case, although the defendant may not damage the goodwill

as such, what he does is damage the value of the goodwill to the claimant because, instead of benefiting from exclusive rights to his property, the latter now finds that someone else is squatting on it. It is for the owner of goodwill to maintain, raise or lower the quality of his reputation or to decide who, if anyone, can use it alongside him. The ability to do that is compromised if another can use the reputation or goodwill without his permission and as he likes. Thus Fortnum & Mason is no more entitled to use the name F W Woolworth than F W Woolworth is entitled to use the name Fortnum & Mason”.

40. I accept that that is the law and that the position in relation to the applicant’s passing off case is not affected by the late filed evidence.

41. Accordingly, the applicant’s claim to goodwill is made out and misrepresentation and damage are inevitable consequences. The application for a declaration of invalidity succeeds under Section 47(2) and Section 5(4)(a).

42. It is strictly unnecessary in the circumstances for me to go on to consider the bad faith claim based on Section 47(1) and Section 3(6) but for the benefit of Mr Rice who has represented Fletcher International Ltd in this matter and is effectively a private litigant I will briefly deal with it.

43. There is as yet no guidance from the European Court of Justice on what constitutes bad faith. So far as the UK Courts are concerned Lindsay J indicated in *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 that:

“I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context; how far a dealing must so fall-short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances”.

44. More recently the Privy Council considered earlier authorities in *Barlow Clowes International Ltd (in liquidation) & Others v Eurotrust International Limited & Others*, (Privy Council Appeal No 38 of 2004 on which judgment was delivered on 10 October 2005 - not reported at the time of writing). In particular, their Lordships considered a submission from Counsel that an inquiry into the defendant’s views about standards of honesty is required. The following passage from Lord Hoffman’s judgment sets out the position as follows:-

“[Counsel for the defendant] relied upon a statement by Lord Hutton in *Twinsectra Ltd v Yardley* [2002] 2 AC 164, 174, with which the majority of their Lordships agreed:

“35. There is, in my opinion, a further consideration which supports the view that for liability as an accessory to arise the defendant must himself appreciate that what he was doing was dishonest by the standards of honest

and reasonable men. A finding by a judge that a defendant has been dishonest is a grave finding, and it is particularly grave against a professional man, such as a solicitor. Notwithstanding that the issue arises in equity law and not in a criminal context, I think that it would be less than just for the law to permit a finding that a defendant had been ‘dishonest’ in assisting in a breach of trust where he knew of the facts which created the trust and its breach but had not been aware that what he was doing would be regarded by honest men as being dishonest.

“36. .... I consider that the courts should continue to apply that test and that your Lordships should state that dishonesty requires knowledge by the defendant that what he was doing would be regarded as dishonest by honest people, although he should not escape a finding of dishonesty because he set his own standards of honesty and does not regard as dishonest what he knows would offend the normally accepted standards of honest conduct.”

15. Their Lordships accept that there is an element of ambiguity in these remarks which may have encouraged a belief, expressed in some academic writing, that *Twinsectra* had departed from the law as previously understood and invited inquiry not merely into the defendant’s mental state about the nature of the transaction in which he was participating but also into his views about generally acceptable standards of honesty. But they do not consider that this is what Lord Hutton meant. The reference to “what he knows would offend normally accepted standards of honest conduct” meant only that his knowledge of the transaction had to be such as to render his participation contrary to normally acceptable standards of honest conduct. It did not require that he should have had reflections about what those normally acceptable standards were.

16. Similarly in the speech of Lord Hoffmann, the statement (in paragraph 20) that a dishonest state of mind meant “consciousness that one is transgressing ordinary standards of honest behaviour” was in their Lordships’ view, intended to require consciousness of those elements of the transaction which make participation transgress ordinary standards of honest behaviour. It did not also require him to have thought about those standards were.”

45. On the basis of these authorities it is clear that a finding of bad faith may be made in circumstances which do not involve actual dishonesty. Furthermore, it is not necessary for me to reach a view on Mr Rice’s state of mind regarding the transaction if I am satisfied that his action in applying for the mark in the light of all the surrounding circumstances would have been considered contrary to normally accepted standards of honest conduct.

46. In terms of the date at which the matter falls to be considered, it is well established that the relevant date for consideration of a bad faith claim is the application filing date or at least a date no later than that (*Hotpicks Trade Mark*, [2004] RPC 42 and *Nonogram Trade Mark*, [2001] RPC 21). The relevant date here, therefore, is 25 February 2003.

47. In the absence of any form of substantiation of the counterclaim made by Mr Rice, the evidence points to the applicant for invalidity having acquired the goodwill in the business conducted under the Fletcher name. That position was reached on or about 21 February 2003

– the receiver’s acceptance letter being dated 20 February 2003 and SBS’s instruction to transfer funds to cover the purchase being dated 21 February 2003.

48. That state of affairs also came about after Mr Rice’s offer to Mr Wyer to enter into a joint bid for the Fletcher assets was rejected. The trade mark application was then filed on 25 February 2003. Mr Rice would have known at that point that he had not been successful in acquiring the assets concerned. Given that state of knowledge it seems to me to be an inevitable consequence that the application was filed in bad faith even if Mr Rice saw nothing wrong in his own actions. The invalidity action succeeds under this head as well.

### **Acquiescence**

49. The final paragraph of the registered proprietor’s counterstatement reads:

“Notwithstanding the notice given the applicant in 2003 as set out in paragraphs 2 above, in February 2004 at the Birmingham Boat Show the applicant’s managing director Mr Tony Wyer was given oral and written notice of registration of the Fletcher Trade Mark by Mr Marshall Rice of the then Registered Proprietor. Mr Wyer’s oral response was: “We know all about that. We’re not really interested”. Over nineteen months has elapsed since the notice given the applicant in 2003 and over seven months since that given in February 2004, and the filing of this application during which time the applicant has done nothing to challenge the registration of the mark in question. In the circumstances the applicant has acquiesced to the said registration.”

50. The reference to paragraph 2 of the counterstatement deals with events leading up to and prior to the conclusion of the sales of assets by the receivers of Fletcher Products Ltd. As such it must be taken to precede the filing of the trade mark application. It appears therefore, that the earliest point at which the applicant (Mr Wyer) would have known of the existence of the trade mark was February 2004 though whether this preceded the trade mark application proceeding to registration is not clear as the latter only occurred on 13 February 2004. The application for a declaration of invalidity was subsequently filed on 28 June 2004.

51. The acquiescence claim is framed in terms of acquiescence to the registration. That might be thought to be a reference to statutory acquiescence in the terms envisaged by Section 48 of the Act. However, if that was the case, the claim would be bound to fail at the very least on the ground that there has to be acquiescence for a continuous period of five years. That is clearly not the case here.

52. If on the other hand it was intended to refer to some form of common law acquiescence then I have difficulty reconciling it with the wording of the claim and the circumstances in which such a claim would arise. As I understand it a defence of acquiescence may be deployed to counter the effects of a passing-off claim where it would be unconscionable for the claimant to enforce his rights against the defendants. The Law of Passing-Off by Christopher Wadlow (Third Edition) sets out the factors likely to be relevant in a passing off action as being:

- “1. The defendant must have mistaken his legal rights;
2. He must have altered his position on the strength of his mistaken belief;

3. The claimant must have known of his right to restrain the defendant;
4. The claimant must have known of the defendant's mistaken belief; and
5. The defendant, in altering his position, must have been directly or indirectly encouraged by the claimant."

53. The notion of acquiescence in a registration is unexplained. There is no evidence that Mr Rice has used the mark or done more than contemplated using it. Mr Rice has certainly been given no encouragement or altered his position on the strength of a mistaken belief known to the applicant. Although the counterstatement refers to oral and written notice being given of the registration no copy of the written notice has been supplied. The comment attributed to Mr Wyer is not a sufficiently reliable basis on which to find that he was acquiescing to the registration. The acquiescence defence fails.

54. The application for a declaration of invalidity has succeeded. In accordance with Section 47(6) the registration shall be deemed never to have been made.

## **COSTS**

55. The applicant is entitled to a contribution towards its costs. Mr Rice conceded that two previous hearing dates had to be vacated at short notice because of his health problems. The applicant, as I understand it, takes no point on the fact that the hearing dates were lost, merely the fact that the request to postpone the hearings occurred at a very late stage on each occasion by which time all necessary preparations and commitments of time had been made. Based on the normal scale of costs I would have awarded **£1700** to the applicants. I propose to increase that by **£100** to reflect the circumstances set out above. Accordingly I direct the registered proprietor to pay the applicant the sum of **£1800**. This sum is to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of the case if any appeal against this decision is unsuccessful.

**Dated this 26<sup>th</sup> day of May 2006**

**M REYNOLDS**  
**For the Registrar**  
**The Comptroller General**