

BLO/259/19

TRADE MARKS ACT 1994

IN THE MATTER OF

CANCELLATION APPLICATION NO 501916

BY KUROBUTA LIMITED

**TO INVALIDATE THE REGISTRATION OF
TRADE MARK NO 3222206:**

KUROBUTA

OWNED BY SCOTT HALLSWORTH

BACKGROUND AND PLEADINGS

This cancellation application involves, on one side, an acclaimed chef (Scott Hallsworth) behind the conception and establishment of London restaurants called “Kurobuta”, and, on the other side, various companies that include that name (most recently, Kurobuta Limited). The basis of the case is whether Mr Hallsworth had been entitled to apply for his trade mark registration for the word, or whether he was liable to have been prevented from doing so on the basis of the law of passing off. The existence of goodwill arising from the restaurants’ activity is not contested; rather the foremost questions concern ownership of the relevant goodwill, including whether it resided with Mr Hallsworth personally, or with companies through which the businesses operated and, ultimately, through various transactions, with the cancellation applicant.

1. Scott Hallsworth (“the **Registered Proprietor**” or “**SH**”) owns the UK registered trade mark No. 3222206, which was filed on 31 March 2017 and entered in the register on 1 September 2017. The registration is for the word mark “KUROBUTA” in respect of goods and services in classes 25, 29, 30, 35, 38, 39 and 43 (as detailed in a table at pages 31 - 33 of this decision).
2. On 21 December 2017 Kurobuta Limited (“the **Applicant**”), filed a Form TM26(I), applying to declare the whole of the registration invalid, pursuant to **section 47(2)(b)** of the Trade Marks Act 1994 (“the **Act**”), in combination with **section 5(4)(a)** of the Act.
3. **Section 47(2)(b) of the Act** provides that “*the registration of a trade mark may be declared invalid on the ground that that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied, unless the proprietor of that earlier trade mark or other earlier right has consented to the registration.*”
4. **Section 5(4) of the Act** states at paragraph (a) that “*a trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade*”. The section also states that “*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.*”

5. The Applicant claims to be the proprietor of such earlier (unregistered) rights because it claims to have traded in the provision of food and drink, particularly restaurant goods and services under and by reference to the word “Kurobuta” (“**the sign**”), from 27 November 2013 “**the Prior Date**”, several years before the filing date of the contested registration. It claims to have used the sign throughout the UK and that its goods and services are the same or similar to those specified under the Registered Proprietor’s mark.¹ The tort of passing off requires goodwill, misrepresentation and consequent damage. The Applicant claims that from the Prior Date to the present date the sign has attracted a considerable amount of goodwill and reputation; it refers to a valuation of the goodwill in the amount of £120,000 in one of the reports prepared by administrators in preparation for the sale of one of the Kurobuta businesses. In relation to the other two components of passing off, it states that use of the contested registered mark will lead customers to purchase the goods and services from places elsewhere than from the Applicant, causing confusion in the minds of the public that the Registered Proprietor’s goods and services offered under his registered mark are those of Applicant.

The Kurobuta restaurants

6. The Registered Proprietor filed a multi-faceted defence to the Applicant’s statement of grounds. Examination of the points argued by the Registered Proprietor forms the basis of much of this decision, so the counterstatement is set out in some detail below. However, in order to better contextualise the pleadings, it is useful at this stage (drawing in part on the evidence filed) to set out some background on the Kurobuta restaurants which give rise to the disputed goodwill in this case.
- i. The initial, deliberately temporary, incarnation of Kurobuta was a **pop-up** restaurant at 251 King’s Road, London, seemingly operated through Kurobuta London Limited (“**KLL**”). Scott Hallsworth (**SH**) and Andrew Stafford (“**AS**”) were directors of KLL. Later in this decision, I shall consider the period and circumstances in which the pop-up restaurant operated, but the parties agreed that the pop-up started trading in October 2013.

¹ Although not relied on in these proceedings, the Applicant has its own registration (No.3237998 filed on 16 June 201) for the contested word mark, registered in respect of the goods and services in classes 25, 29, 30, 35, 38, 39, 43 (the same classes as those of Registered Proprietor). The full list of the Applicant’s goods and services under its own registration are set out in **Annex 1** and are those in respect of which it claims to have goodwill.

- ii. Kurobuta at 312 King's Road, **Chelsea**, London - this is one of the two 'permanent' restaurants and was owned and operated by Kurobuta Chelsea Limited ('**KCL**')². KCL was incorporated on 27 November 2013 (the claimed Prior Date). SH and AS were directors. SH owned 65% of the shares; AS owned 35%. KCL went into administration when administrators were appointed on 21 April 2017. On 5 May 2017 a company called 'KBC Inc Limited' ('**KBC Inc**') entered into an asset sale agreement with KCL and its administrators, where the listed assets included the goodwill in the business.
- iii. Kurobuta at 17-20 Kendal Street, Connaught Village/**Marble Arch**, London – this is the other of the two 'permanent' restaurants and was owned and operated by Kurobuta Marble Arch Limited ('**KMA**')³. KMA was incorporated on 4 February 2014. SH and AS were also directors of KMA, along with Paul Kovensky ('PK'), who had loaned KMA a substantial sum of money, and his brother, Michael Kovensky ('MK'). PK owned half the shares in KMA as of 21 April 2014, with SH retaining 35% and AS 15%. KMA went into administration when administrators were appointed on 30 June 2017⁴ and on the same date a company called 'KBM Inc Limited' ('**KBM Inc**') entered into an asset sale agreement with KMA and its administrators, where the listed assets included the goodwill in the business⁵.
- iv. The Applicant (Kurobuta Limited) claims the benefit of two assignments, both dated 11 December 2017, documented in terms intended to assign from KBC Inc and KBM Inc the goodwill attaching to the Mark to the Applicant.⁶

Registered Proprietor's counterstatement

7. The Registered Proprietor submitted a notice of defence, and his counterstatement essentially denied in full the section 5(4)(a) claims, making numerous points in defence, including the following (numbering and my emphasis added for ease of reference):

² See for example page 6 of Exhibit SD9, the Joint Administrators Proposal, 9 June 2017.

³ Joint Administrators Proposal at **Exhibit SD13**, page 6, paragraph 1.2

⁴ Ibid at paragraph 1.3

⁵ **Exhibit SD18**

⁶ Witness Statement of Andrew Stafford, plus **Exhibit SD17**

- (i) He states that the Applicant was incorporated on 25 April 2017, and therefore **denies** that the **Applicant** has “**a long history**” of providing food and drink services under the sign, nor could it have done so since 2013;
- (ii) He **denies** that Kurobuta Chelsea Limited (“**KCL**”) and Kurobuta Marble Arch (“**KMA**”) **owned the goodwill** associated with the KUROBUTA name;
- (iii) He **puts the Applicant** to strict **proof** of the nature of the **goods and/or services** to which it believes the sign has been put to use, including the scope and extent of any such use and any resulting goodwill therein including the scope of the same;
- (iv) He states that the Applicant took **no valid assignment** (including right of title) of the KUROBUTA **trade name/trade mark** or any **associated goodwill** therein for the reasons set out below.
- (v) He sets out background to these proceedings and the development of the KUROBUTA mark. That background account includes the following points:
 - a. The Registered Proprietor is “*a celebrated executive chef known and revered worldwide by fellow chefs, critics and those who have enjoyed his particular style of Japanese cooking.*” He was, for example, head chef of Nobu, London for 6 years and has a practice in restaurant consulting, advising international restaurant owners on how to develop their Japanese restaurant offering.
 - b. Mr Hallsworth **first established the KUROBUTA concept and thus the name** in late **2012-early 2013**. In March 2013 he enlisted the services of a hospitality **design consultancy** to further develop the KUROBUTA concept. He states that **all rights to use the typeface, logo**, brand values, interior design palate, and stationery were **assigned to him alone**. He wrote a cookbook '*Junk Food Japan: Addictive Food of **Kurobuta***' in early 2014, which he says sets out in detail the inspiration behind the KUROBUTA concept.
- (vi) It is claimed in the counterstatement that “*at all times since inception the KUROBUTA trade mark and name became instantly recognisable to the average consumer and relevant public as distinctive of [himself]*” and that **he and the KUROBUTA brand “became synonymous with one another and that continues to be the case**. As a consequence of the high profile and popularity of the KUROBUTA brand, **the**

[Registered Proprietor] accrued considerable and protectable goodwill in the UK in the brand and all associated get-up and indicia by reason of the provision of services bearing and under and by reference to the KUROBUTA brand ...”.

- (vii) He claims that “***at all times from inception, the [Registered Proprietor] was the owner of the Kurobuta trade mark and name. KCL and KMA operated under a licence from [the Registered Proprietor] allowing KCL and KMA to use the KUROBUTA mark and get-up of the Kurobuta brand. It was understood by the controlling minds in KCL and KMA that the [Registered Proprietor] was the creator and/or founder of the KUROBUTA trade mark and name, and that name, along with his persona which brought gravitas to the venture, was his dominant contribution to the business, but that he was to retain ownership of the KUROBUTA trade mark and name and/or goodwill accrued to the [Registered Proprietor]***”;
- (viii) He claims that “***further and/or alternatively, the [Registered Proprietor] was the senior user of the KUROBUTA mark and retained an independent, and earlier, goodwill in that mark which has not been abandoned and has continued to remain synonymous with him and no other***”.
- (ix) He claims that “***further and/or alternatively, given the KUROBUTA mark (and the attractive force in that name) was, is and has always been synonymous with the [Registered Proprietor] the result is that there can be no misrepresentation by use of the [Registered Proprietor] of that mark (or with his consent) and use (or reliance upon) the mark without the consent of the [Registered Proprietor] is in itself a misrepresentation and/or deceptive.***”
- (x) He claims that “***further and/or alternatively, at no point did the [Registered Proprietor] ever assign his rights to the goodwill or unregistered trade mark rights in the KUROBUTA mark to KCL, KMA, or any other entity. Those rights did not belong to either KCL or KMA and were incapable of being purchased by the Applicant as asserted in the [Applicant’s statement of grounds].***”
- (xi) “***Further and/or alternatively pending proper particularisation and proof of the matters set out at paragraph [10(iii) above], it is denied that a notional and fair use of the***

Registered Mark would amount to passing off for the full range of goods and or services of the specification in it.

- (xii) In similar vein to the claim in paragraph 10(ix) above, he claims *“further and/or alternatively any use (or reliance upon) of the KUROBUTA mark by the Applicant would amount to deception of the relevant public given that name is synonymous with the [Registered Proprietor] with the result that **any goodwill claimed is in itself deceptive goodwill and is thereby extinguished** and incapable of being relied upon by the Applicant so as to support this invalidity action.*
- (xiii) He **admits** that use of the KUROBUTA mark attracted a **considerable amount of goodwill from “the Prior Date”** claimed by the Applicant, but argues that the Registered Proprietor was at that time **(27 November 2013)** the **senior user**, such that *“that is goodwill owned by and/or associated with the [Registered Proprietor], and no other, and the Applicant has no rights in the Earlier Mark capable of founding this invalidity action.”*
- (xiv) The Registered Proprietor was unable to comment on the Administrators’ Report at counterstatement stage, as the Report had not been provided, but for the reasons set out elsewhere in the counterstatement the Registered Proprietor denies the effect of the alleged transaction, or alternatively, if that transaction is valid he denies its alleged consequences in so far as they purport to give the Applicant a valid right to invalidate the Registered Mark.

Papers filed and representation

8. During the evidence rounds, as identified below, both sides filed evidence and submissions, and the Applicant filed evidence in reply. Both sides’ counsel filed skeleton arguments in advance of the oral hearing. In this decision I take into account all papers filed and submissions made and shall refer to particular points of evidence and submission where I consider appropriate. A hearing took place before me on 20 March 2019. Victoria Jones of counsel appeared in person on behalf of the Applicant, instructed by Lawdit Solicitors Limited; Gwilym Harbottle of counsel appeared by video-link on behalf of the Registered Proprietor, instructed by Brandsmiths.

Relevant date

9. It was common ground between the parties that the onus is on the Applicant to satisfy the tribunal that it had goodwill in relation to the sign when the Registered Proprietor applied to register its mark on 31 March 2017, which is “**the relevant date**” in this case.⁷

THE EVIDENCE

The Applicant’s evidence and submissions (in chief)

Witness Statement of **Savvas Demos**, dated 16 July 2018, with **Exhibits SD1-SD16**

Witness Statement of **Paul Stanley Kovensky** dated 19 July 2018

Witness Statement of **Andrew Stafford**, dated 29 June 2018, with **Exhibits AS1-AS4**

Written submissions dated 1 November 2018

The Registered Proprietor’s evidence and submissions

Witness Statement of **Scott Hallsworth**, dated 15 October 2018, with **Exhibit SH1**
(approx. 70 pages)

Witness Statement of **Pavel Kanja**, dated 15 October 2018 with **Exhibit PK1**

Written submissions undated

The Applicant’s evidence and submissions in reply

2nd Witness Statement of **Savvas Demos**, dated 11 December 2018, with **Exhibits SD17-SD20**

DECISION

10. The claims and counterstatement in this case give rise to numerous issues that were addressed at some length by both parties at the hearing and in related submissions. The Applicant asserts that the transactions identified in paragraph 6(ii) – (iv) above, make it the proprietor of a prior right, namely the goodwill which attached to the sign when used in relation to restaurant services and which was generated and owned by KCL and KMA

⁷ BL O-410-11 *Advanced Perimeter Systems Limited v Multisys Computers Limited*, Mr Daniel Alexander QC, as the Appointed Person, approved the summary given by Mr Allan James in *SWORDERS TM* BL O-212-06 – at paragraph 148 as to how to calculate the relevant date for the purposes of s.5(4)(a).

respectively. The Registered Proprietor disputes that the Applicant is the owner of such prior right. Ms Jones summarised **the issues** to be determined as including the following:

- a. Who owned the goodwill generated under the sign by the restaurant services provided at the branches of 'KUROBUTA' at 312 King's Road (Chelsea) and at Marble Arch? In particular, were KCL and KMA operating under a licence to use the sign with SH as the licensor?
- b. If KCL and KMA owned the said goodwill, is SH the senior user of the sign in any event and has he retained an independent, earlier goodwill in the sign?
- c. Did the asset sale agreements transfer goodwill attaching to the sign in relation to restaurant services to KBC Inc and KBM Inc?
- d. Are the assignments of goodwill from KBC Inc and KBM Inc assignments in gross and therefore ineffective?
- e. Would use of the contested mark by the Registered Proprietor amount to a misrepresentation?
- f. Would use of the contested mark in relation to *all* goods and services for which it is registered amount to passing off?

11. I consider that an acceptable summary and the larger part of this decision will consider points raised that bear on issue (a) in the paragraph above, although I will come on to consider each and all of the issues identified. Preliminary to that, I shall refer to some points raised relating to the nature of goodwill and to the burden and standard of proof. First, however, I deal discretely with the argument raised by counsel for the Registered Proprietor, arising from the wording of the legislation that seeks to clarify who has standing to bring an invalidity claim under section 47(2) of the Act.

Proprietorship at time of filing

12. **Art. 5 of SI 2007/1976 provides that only "the proprietor of the earlier right" may make an application for a declaration of invalidity on the grounds in section 47(2) of the Act.** Mr Harbottle argued that **the expression should be interpreted restrictively to mean the person entitled at the filing date** to obtain an injunction under the law of passing off to prevent the use of the mark. If that submission were correct, the application would inevitably fail because even on the Applicant's case it had no relevant goodwill at the filing date.

13. In Mr Harbottle's submission, a person to whom the goodwill has been assigned after the filing date is not a person who was entitled at the filing date to obtain an injunction under the law of passing off to prevent the use of the mark. He argued that if successors in title had been intended to have the right, section 47 and Art. 5 would have said so, but they contain no reference to successors in title. Mr Harbottle argued that there is no injustice in this: KCL and KMA still exist even though they are in administration; if a company that owned the goodwill at the filing date has been dissolved before it was appreciated that the trade mark had been registered, that company may be reinstated for the purposes of invalidating the mark.
14. Counsel for the Applicant argued in response that on a basic reading of the provision, Mr Harbottle's submission that the person had to be the proprietor of the earlier right as at the filing date is wrong. The provision refers to "the proprietor of the earlier right" - the earlier right being the goodwill that existed at the filing date. Ms Jones argued that the standing afforded by Art. 5 is with whoever is the proprietor and that it is irrelevant whether the proprietor is someone who has come to own that earlier right before or after the filing date.
15. Ms Jones also cited paragraphs 3-201 and 3-202 of *The Law of Passing Off* 5th Edn by Christopher Wadlow, concerning the effect of assignment. Professor Wadlow there states, among other things, that:

"Between the parties to an assignment of the goodwill in a business, the effect is to confer on the assignee the exclusive right to carry on the business assigned and to represent himself as carrying on that business."

And that:

"As against the world at large the effect of an assignment of goodwill with the business to which it relates is to put the assignee in the position formally enjoyed by the assignor, notwithstanding that the public may to some extent have associated the business assigned with the former owner personally. "
16. Ms Jones submitted that according to Wadlow (above), an assignee is effectively put in the shoes of the assignor and that that goes all the way back through the earlier right - that at whatever point in time an earlier right (goodwill) arose, as soon as the assignment is effected, the Applicant then effectively becomes the former proprietor and is indistinguishable from the latter. Mr Harbottle argued that when considered in context, there

is nothing in the text from Wadlow to suggest that all rights go retrospectively with an assignment or that there was a retro-active right to sue for passing off at the filing date.

17. Ms Jones also put the more substantive argument that to accept the position put forward by Mr Harbottle would create a number of problems for the process of assigning goodwill; that there would be little point in purchasing an old goodwill, so to speak, if any third party user could trump the prior right because of the assignment by arguing that the assignee only acquired that right on X date, which was after the third party applied to register its mark.
18. While I note Mr Harbottle's point that there are contexts in which a dissolved company would need to be reinstated in order for a particular right to be re-asserted, I do not find that a necessary standard contingency in the present context. I agree with Ms Jones that there is good reason to regard the term "the proprietor of an earlier right" at face value, with the consequence that if the Applicant establishes that the various transactions indeed passed it the relevant goodwill, then it is entitled to rely upon the earlier right as proprietor. I find nothing in case law to disturb that conclusion.

Conclusory assertions and goodwill

19. Turning now to the preliminary points I mentioned at paragraph 12 above, the parties agreed (i) that in line with section 72 of the Act, the contested registered mark is prima facie valid and that it follows that the burden is with the Applicant to establish its title to the relevant goodwill. The parties also agreed (ii) on the position summarised by the Appointed Person in *Advanced Perimeter Systems*⁸ that as a hearing officer I am "*not obliged to accept - and in some circumstances may be obliged to reject - a conclusory assertion by a witness that it has a given goodwill at the relevant date or that the use by a third party of a similar mark would amount to misrepresentation, when the material relied upon in support does not bear that out*" and that overall, the adequacy of evidence falls to be assessed by reference to the Lord Mansfield's aphorism from *Blatch v Archer*⁹: "*...all evidence is to be weighed according to the proof which it was in the power of one side to have produced, and in the power of the other to have contradicted.*" Thus, Tribunal Practice Notice TPN 5/2007, dealing with the truth of evidence, makes clear that evidence can be challenged without cross-examination

⁸ *Advanced Perimeter Systems Ltd v Keycorp Ltd* [2012] RPC 14, paras [20] to [22]

⁹ (1774) 1 Cowp 63 at 65, cited, inter alia by Lord Bingham in *Fairchild v Glenhaven Funeral Services Ltd* [2002] UKHL 22 [2003] 1 AC 32 and in *CLUB SAIL*

if reply evidence has been filed which shows why the evidence should not be believed or the evidence is obviously incredible.

20. Although the existence of goodwill (as distinct from the ownership of it) is not at issue in this case, it is nonetheless pertinent to refer to the general points about goodwill made on behalf of the Registered Proprietor. According to the House of Lords in *IRC v Muller*¹⁰, goodwill “*is the benefit and advantage of the good name, reputation, and connection of the business. It is the attractive force which brings in custom. ... The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates.*” “*Goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business*”¹¹.

The issues

- a. **Who owned the goodwill generated under the sign by the restaurant services provided at the branches of ‘KUROBUTA’ at 312 King’s Road (Chelsea) and at Marble Arch? In particular, were KCL and KMA operating under a licence to use the sign with SH as the licensor?**
21. Self-evidently there is in this case no neat documentary evidence that sets out an agreed position between the parties with regard to ownership of the goodwill. Instead there are conclusory assertions on both sides, all of which may reflect sincerely held beliefs; the task before me is to determine where or with whom goodwill in fact resided, making that assessment objectively, based on the evidence filed and accepting that there are some inconsistencies and absences in the evidence, again on both sides.
22. The central assertion by the Registered Proprietor is that he, SH, created the brand (if I may put it loosely) which he licensed to the companies to use and that he personally owned/owns the goodwill arising from the trade of the restaurants.

¹⁰ *IRC v Muller & Co’s Margarine* [1901] AC 217 at page 235

¹¹ *ibid* at page 223

Creation / Inception of the Kurobuta brand

23. Considering first, the brand creation claim: I find on the evidence that SH may fairly be considered the creative driver behind the conception of Kurobuta in that it was his initial idea for the food concept, and the name evolved from discussions between SH and his friend and fellow chef Pavel Kanja. It was SH who approached the consultancy firm, Salon Edesia, to develop the brand (logo, livery etc) as shown by the Salon Edesia agreement at **Exhibit SH1**, pages 13-35. During the brand development, Pavel Kanja attended one or two of the meetings with Salon Edesia, as did AS, although SH states that AS offered little input as he is “not a creative type”.
24. Page 33 of **Exhibit SH1** shows a Client Acceptance form from Salon Edesia which names Scott Hallsworth, and is dated 8th March 2013, but which is *unsigned*. The acceptance form is to document that the client accepts the quotation for the work and authorises Salon Edesia to commence work “*on behalf of the company*”. SH states at paragraph 15 of his witness statement that “pursuant to the Terms of Business at page 32 of SH1 the right to “*use the creative work forming any part of the Deliverable was assigned to me solely.*” I did not find the evidence to show that conclusively or exactly.
25. Page 32 of SH1 shows an appendix to the Salon Edesia document and states that “*on payment of our fees in full you shall be entitled to use the creative work forming part of the Deliverable exclusively and at one site. Further use is permitted on payment of additional licence fees.*” The witness statement of AS states at para 4(b) that it was KLL who paid for the design services provided by Salon Edesia”. Although SH responds at paragraph 16 of his witness statement to the various points of evidence of AS at para 4(b), it is not entirely clear to which points his denial extends. SH refer to AS having been happy for SH to contact Salon Edesia in his sole name because Kurobuta was SH’s idea from early 2012 and AS was not involved in that process.
26. SH states that “*when contracting with Salon Edesia on 8 March 2013, I entered into the contract with the intention of paying the fees myself, in case I could not raise the investment required to open the restaurant.*” I note that SH does not say that he did pay the fees, nor does he specifically deny that KLL paid the fees. Neither side provided corroborating evidence of payment of the Salon Edesia account, but given that the company had been established by that time, and given that one description of the role of the company was,

according to SH (at paragraph 19 of his witness statement) to enable AS to manage the finances of the new Kurobuta Business, there is a likelihood that AS paid for that brand work. However, I find that irrespective of who may lay claim to having created the brand I find that that does not affect the issue of ownership of the goodwill from the trade under that sign.

'Attachment' of goodwill

27. There were several businesses bearing the Kurobuta name, each set up specifically to run the different restaurants. Different individuals contributed different skills to the businesses – for example, **Exhibit AS4** is the shareholders agreement for KMA, where clause 2.4.1 identifies SH as being managing director covering operational matters and the culinary aspects of the business as Head Chef, AS as being responsible for the administration of the business, and PK as general consultant. Nonetheless, distinct companies existed as legal persons to operate the business of trading as restaurants.
28. Having taken the step of creating one or more distinct legal entities to carry on a business, and the corresponding goods and services having been provided under the auspices of those various incorporated businesses, it seems to me that in the normal course of events any goodwill arising from the trading activities would accrue to and be owned by the company. This might of course be altered by agreement and such agreement need not be in writing. It is the position of the Registered Proprietor that the goodwill was solely with him (SH). SH makes that claim on various bases: (i) his having created the brand (as I have already dealt with above); (ii) his contention that the others involved in the business understood the goodwill to be his; and (iii) on the basis that the public perception would associate the sign/mark with him.
29. The Registered Proprietor's evidence comes largely from his witness statement. In relation to point (ii), he states¹² that it was always understood that SH was the figurehead of the brand and that the other people in the business contributed different skills to its operation. To support that assertion, Mr Harbottle raised various points from the witness statement, including where SH reports that AS had "*said he [AS] was only concerned with managing the business*" and that PK had said words to the effect that he did not have any interest in the intellectual property. However, I note that both those comments are made in relation to

¹² Paragraph 26 of witness statement of SH.

the cookbook *Junk Food Japan: Addictive Food of Kurobuta* that SH was commissioned to produce and the question of whether SH alone should be credited for that book and receive the fee payable by the publishers. Since SH was the chef and was closest to the whole cooking concept and recipes, it is understandable that neither AS nor PK took issue with SH deriving the benefit of the cookbook. That publication is somewhat separate from the core restaurant business from which the Applicant claims goodwill and I do not consider that the more relaxed attitude evinced in relation to that cookbook at that time should be read across to the main focus of the business. I note that in **Exhibit SD19** – which is an email to SH dated 24 February 2017 - AS refers to PK only being interested in protecting his investment and “*not being interested in the name or IP or recipes*”. For the avoidance of doubt, I find that none of these comments equate to satisfaction of the proprietor’s consent referenced in the proviso to section 47(2)(b) of the Act.

30. SH also states at paragraph 27 of his witness statement that he mentioned to PK (director and 50% shareholder of KMA) that SH had “registered” the now contested mark and that PK “had no issue with this”. The exchange of comments was in the context of SH proposing that he would try to find another investor to buy out PK, which PK favoured. It is not clear exactly when PK is said to have made that comment – on one reading it seems to be after the registration of the contested mark (1 September 2017) - but even if by “registered” SH meant to indicate only that he had applied for the mark, the comments must have been after the relevant date. At any rate, I do not consider the reported comment to be strong evidence to bear out the Registered Proprietor’s claim that the controlling minds in the business understood the goodwill to be his. In the relatively brief witness statement by PK his position is clearly that the trade name and goodwill was an asset of KMA and not ever of the Registered Proprietor.
31. The Registered Proprietor’s claim to personally own the goodwill is based thirdly on his submission¹³ that in the public perception he is synonymous with Kurobuta. His evidence includes Press articles that variously namecheck SH as the owner/co-founder/chef behind Kurobuta. I find that SH had an established reputation deriving in part from his having been head chef at the celebrated Nobu restaurant business. In some sense, SH may fairly be regarded as ‘the man behind Kurobuta’ and it is therefore understandable that his name is widely invoked as a reporting hook. However, I accept the submission put forward by Ms

¹³ Paragraphs 33-38 of the witness statement of SH.

Jones that there is a crucial difference between the role served by SH in the business, the attraction that he potentially brought to that business and the reputation that he generated for that business, and his actual ownership of the goodwill. I agree that it is not right to say that SH is the owner of the goodwill, simply because his figurehead role may potentially have led to his association with the brand in the public perception.

32. To support the contention that prima facie ownership of the goodwill lay with SH, Mr Harbottle referred to questions posed in *Wadlow*¹⁴ as follows:
- a. Are the services bought on the strength of the reputation of an identifiable trader?
 - b. Who does the public perceive as responsible for the character or quality of the services?
Who would be blamed if they were unsatisfactory?
 - c. Who is most responsible in fact for the character or quality of the services?
 - d. What circumstances support or contradict the claim of any particular trader to be the owner of the goodwill?
33. However, those questions are posed to address the issue where there is uncertainty as to ownership of goodwill because more than one business is involved in the sequence which results in goods or services being made available to the consuming public – for example as between a manufacturer and a distributor. I agree with the submission by Ms Jones that SH was not in any way a separate business, but simply worked for KCL and KMA (see paragraph 36 below). There is no separation of businesses; SH was not operating as a separate entity. Consequently, the questions are not directly applicable, or else, when answering these questions, even though the basic immediate sort of jerk-reaction answer may elicit the name of SH, it was in fact SH acting on behalf of the businesses and it is the businesses to which the goodwill is attached, subject to any agreement to the contrary.
34. I also note that the evidence includes a “tweet” addressed to “@scotthallsworth”, issued by reference to the name “adulescent”, seemingly in early 2018, whose author is Antonia Kraskowski, fashion editor at the Daily Express. In that tweet Ms Kraskowski raises a question of complaint in relation to the service during her meal at Kurobuta. That tweet tends to indicate that even at that late stage, Ms Kraskowski thought the staff still worked for SH. However, clearly by that time the company had changed ownership (as SH indicated in his forceful reply to the tweet), so in that sense Ms Kraskowski was simply in error, but

¹⁴ See Chapter 3 of *Wadlow* at 3-139 – 3-141.

moreover, her reaching out through social media to the named chef-proprietor once associated with Kurobuta is not evidence that SH personally owned the goodwill.

35. Mr Harbottle referred to the House of Lords case of *Oertli v Bowman*¹⁵, to make the point that in order for the Applicant to succeed, the mark (in this case Kurobuta) must have become distinctive of the Applicant's goods or services. The claimant in *Oertli v Bowman* failed because, as Lord Reid explained¹⁶, the claimant had no power to control the manufacture, distribution or sale of the goods and there was no notice of any kind to purchasers that the claimant had any connection with the goods. In the present case I find that it cannot be said that the companies through which the restaurant services are provided likewise lack that power to control, notwithstanding that the views (and skills) of individuals within those companies may be especially influential. I also note the point made by Ms Jones that the same case makes the point¹⁷ that the source name does not necessarily need to be known and thus just because the public may not have known that KCL and/or KMA was the ultimate source or origin is not sufficient to displace the attachment of goodwill to them. The businesses that were operating those restaurants were KCL and KMA; SH played an important role in that, but as a director of those companies not because he was in control personally.
36. I agree with Ms Jones that everything that SH has done has been for the benefit of the Kurobuta business, and not for him personally. SH does not give evidence as to whether he had a separate employment contract, but in any event, whatever capacity he was acting in, whether as an employee, a director or a consultant, he was working for KCL and KMA, and any and all the goodwill that his skill and reputation assisted in generating belongs to those businesses and does not belong to him personally. That seems to me to be correct and Ms Jones referred me to case law that supports that position. The cases of *Kingston*¹⁸ and of *Asprey*¹⁹ are both 'own name' cases, where even so, passing off still operated to prevent individuals within the companies (William Asprey and Thomas Kingston respectively) from asserting that the goodwill that was generated for the business essentially goes to them.

¹⁵ *T. Oertli AG v E.J. Bowman (London) Ltd* [1959] RPC 1 at p. 5 lines 15-20

¹⁶ *Ibid* p. 7 at lines 10-20

¹⁷ *Ibid* at Page 4 at lines 25-30

¹⁸ *Kingston Miller & Co Ltd v Thomas Kingston & Co Limited* [1912] 1 Ch 575 at p.582.

¹⁹ *Asprey and Garrard Ltd v WRA (Guns) Ltd* [2002] FSR 31 at para 36.

37. **My primary conclusion is that the goodwill, in line with objective, normal expectations, belongs to the companies – and not to SH individually as he claimed.** I note that Mr Harbottle cited the following line from the case of *Kingston*²⁰: "*Such a company*", by which the judge means a company with the name A, "*merely by registration does not acquire and incorporate the individual rights which its promoters may respectively have had to carry on business in their own names.*" From this Mr Harbottle argued that if promoters of a company establish a company, the mere fact that they do that is not sufficient to automatically transfer the right to use the name or the goodwill to the company. There has to be more than that. The present case is not a personal name case and I find nothing in that case to disturb my finding that the creation of (various) companies each based on the brand name Kurobuta, with those companies trading as restaurants, gives rise to goodwill that flows to those corporate entities, not the individuals invested in them or working for them.

Administration

38. Bearing on this central issue of who owned the goodwill, a further point of contention arose between the parties, focusing on the way the administrators dealt with the goodwill and the parties' behaviour and knowledge of matters during administration. As noted previously, KCL went into administration on 21 April 2017 and was sold to KBC Inc on 5 May 2017; KMA went into administration on 30 June 2017²¹ and the sale to KBM Inc was agreed on the same date. The sales appear to have proceeded on the presumption that the goodwill was owned by the company as goodwill is listed as a distinct and valuable asset by the administrators. I accept that the mere fact that goodwill is listed as an asset is not conclusive evidence of the existence of goodwill or of its ownership. I note the points raised on the part of the Registered Proprietor (i) that the administrators' reports contain no account of the process that would explain whether there was any objective basis for them to believe that the companies owned the goodwill; and (ii) that the relevant documentation²² includes (apparently standard) terms that exclude a warranty as to the existence of goodwill, such that the seller would not be in breach of contract if there were in fact no goodwill belonging to the company.

²⁰ As cited above.

²¹ Exhibit SD13, page 6, paragraph 1.3

²² For example, page 10 of **Exhibit SD15**, which deals with the assignment from KMA to KBM Inc.

39. However, the points raised by Ms Jones relate to the position maintained by SH in his witness statement to the effect that he did not know that the administrators were selling the goodwill, and that had he known he would have objected. SH distances himself from the process of administration, noting that it was AS who filed for administration and there is no evidence that the administrators engaged with SH, despite his being a director and substantial shareholder. On the other hand, there is evidence in the form of email exchanges a few months ahead of the reality of administration, where administration is clearly recognised by SH as a potentially imminent prospect. **Exhibit SD19** shows an email from AS to SH on 20 February 2017, providing the updated Chelsea restaurant's cashflow with the comment that "*as previously advised, it looks like we won't be able to proceed to far into March ...*"; and an email from SH to AS on the same date, exploring the options on the future of Kurobuta, where SH recognises the prospect of starting "*to wind it all up*" which "*leaves both KBs heading into the hands of administrators*".
40. Moreover, by the evidence of his own witness statement²³ SH knew of the administration process as he states that AS had notified him by e-mail of the court hearing on 21st April 2017 relating to the administration of KCL.
41. It is perhaps unsurprising that PK states that as a director both of KMA and KBM Inc Ltd he was aware of the goodwill sold by the administrators with the companies. AS likewise makes such claims in relation to KMA and KCL. By contrast SH claims a position of ignorance and that AS, whose role focused on the financial operations of the companies, had not kept him fully informed. As against that, I note that SH is identified in the evidence as the managing director of KMA and that given his interests in both KCL and KMA, it is surprising that he appears not to have kept a closer eye on matters relating to the administration sales or taken active steps to keep himself apprised of the same, having been forewarned of the KCL administration date, and noting that the KMA administration sale followed some weeks subsequent to that of KCL.
42. Ms Jones's primary submission was that SH was aware of the sales taking place, but submits further that, even if SH was not aware, there is no evidence that SH did anything either before or after the companies going into administration to deal with or protect the goodwill that he says he owns and which he claims he licensed to the companies. Ms Jones

²³ Paragraph 29 of witness statement of SH.

argued that there is no evidence from SH or otherwise that he did anything in those circumstances to consider what he was going to do to protect and ensure that he retained this goodwill. He did of course apply for his trade mark before the companies went into administration, but Ms Jones submitted that that step says nothing about goodwill. Ms Jones suggested that if anything, to file a trade mark could indicate in the other direction - that one is a little concerned that one is about to lose a right that one wishes to keep.

43. I agree that certainly once the companies were sold, the Registered Proprietor will inevitably have been aware of that, and I recognise that there is no evidence (emails etc) before or after the administrations that relates to termination of any claimed licence agreement or communicating with the new owner or with anyone about what was going to happen with the use of what SH now says is his trade name and his goodwill. Ms Jones submitted that the absence of such evidence is crucial and that in the circumstances, and bearing in mind the points²⁴ about conclusory assertions made by witnesses in these proceedings, the material in this case does not bear out the Registered Proprietor's assertions. I find that that point has some merit and tends to support the primary finding I have made above as to the attachment of goodwill. However, I also note Mr Harbottle's submission that various reasons might otherwise account for the lack of intervention or objection by the Registered Proprietor, including whether he was particularly interested in the position at the time, or had a clear understanding of what was the legal position or that he was in a position to instruct lawyers etc.

Licence

44. The parties also made various submissions as to the existence or not of a licence – it being argued on the part of the Registered Proprietor that the companies operated under an implied licence from SH. Although perhaps redundant in view of my finding that the goodwill did not lie with the Registered Proprietor, I will, for the sake of completeness, also deal with those licence arguments.
45. In relation to dealings with goodwill, as is clear from *Wadlow*²⁵, it is possible for ownership of goodwill to be assigned or licensed and that assignments and licences can be informal. At paragraph 26 of his Witness Statement SH states: "*When the various KLL, KCL and*

²⁴ Advanced Perimeter Systems as cited earlier in this decision.

²⁵ See *Wadlow* paras 3-196 – 198 and 3-213 - 214

KMA companies were formed, I believe that these companies operated under a licence from me to use the Kurobuta name and the get-up of the Kurobuta brand." I note that SH does not say that was actually the case; he gives his belief as to the situation. SH then states: "*I certainly never assigned the rights I had developed and owned to any of those entities.*" I note that there are no formality requirements in order for a licence to exist, and clearly in the present case, there is no written licence agreement. Beyond that, however, as Ms Jones noted the evidence for the Registered Proprietor includes not even a single e-mail that discusses the claimed licence and the claimed retention of ownership of any goodwill in the brand. Ms Jones submitted that such an absence of any documentation at all is at odds with there being a licence, since the goodwill is a very valuable asset of the business, as can be seen from when the administrators go on to value the goodwill; for the King's Road restaurant, the KCL company, it was the most valuable asset, valued at sale at £77,994²⁶; the KMA goodwill was valued at £25,000²⁷.

46. Ms Jones also pointed out that although SH states that AS was fully aware that the companies operated under a licence from him, not only in there no written evidence to support that, but SH has not identified or pinpointed a single specific conversation, where such a position was agreed, or where there was discussion of its potential implications (such as the capacity to withdraw such a licence from the business). At the hearing I referred to paragraph 7 of the witness statement of AS, where he states "*I did have discussions about licensing the KUROBUTA trade name to KMA, KCL and/or KLL as the Proprietor did not wish for an investor to profit from the goodwill that was being generated in conjunction with our activities and the Kurobuta concept.*" However, I accept Ms Jones's submission that that sentence can be taken as no more than discussions about potential licensing of goodwill and/or ownership of the same as part of the business. The evidence does not show that it was agreed that SH would be retaining any goodwill or licensing anyone, and I also note that the evidence of AS is that he concludes that there was no licence²⁸. I agree with Ms Jones that there has been a level of transactional care in establishing a company structure, and in SH taking the step of bringing AS into the business as the finance manager, and that against that background it seems incongruous that there would in reality be a licence, in Ms

²⁶ Exhibit SD12, page 31

²⁷ Exhibit SD15 page 31

²⁸ First sentence of paragraph 7 of witness statement of AS. This position aligns with the assertion in the witness statement of Paul Kovensky, previously noted, that the trade name and goodwill was an asset of KMA and not ever of the Registered Proprietor

Jones's words, 'floating around', based on an understanding that SH had personal ownership of the brand.

b. If KCL and KMA owned the goodwill, is SH the senior user of the sign in any event and has he retained an independent, earlier goodwill in the sign?

47. I have found above that KCL and KMA owned the goodwill arising from the operation of the restaurants at 312 King's Road Chelsea and at Marble Arch. The Registered Proprietor argued that even if that were the case, SH should be considered as the senior user of the sign on the basis of the business carried out by the pop-up restaurant at 251 King's Road, and that he personally retained an independent, earlier goodwill in the sign, which he did not assign to KCL or KMA.

Pop-up timeframe and its goodwill

48. The pop-up restaurant started trading at 251 Kings Road in early October 2013. Page 36 of **Exhibit SH1** is a print-out from www.justopenedlondon.com, where the date is not stated, but the article is headed "Kurobuta Pop Up" and signals the opening of the pop-up at 251 King's Road, which it states is "*open until December 31st*" - which in the context of the other evidence must mean 31st December 2013, although it seems that the pop-up in fact operated beyond that date. Page 51 of **Exhibit SH1** shows part of an interview with SH on www.squaremeal.co.uk, dated 13 March 2014, which asks how much longer the pop-up will be running for, to which the reply is "*at least until the end of June, although we are in talks to make the site permanent since it's been so successful.*" At page 54, there is another interview with SH, this time on hardens.com, which sets out the rationale for opening the pop-up in October 2013, explaining that it was an opportunity to test out the concept and to make some money to keep the project afloat amid planning and investment issues. "*It gave us a massive kickstart and even won us another investor in the form of Paul Kovensky ...*" The same article also seems quite clear that the Marble Arch site opened at the end of April 2014.
49. Page 41 of **Exhibit SH1** shows an online article from *The Independent*, dated 5th July 2014, which refers to SH having come up "... *with the Kurobuta cooking concept, presented it to thunderstruck-Londoners at a pop-up, and now runs two restaurants of the same name.*" It

appears therefore that the second permanent restaurant (312 King's Road) was in place by no later than July 2014.

50. Ms Jones argued that there was limited trading through the pop-up prior to the incorporation of KCL (on 27 November 2013) and that SH has failed to provide any evidence of use of the sign or turnover generated during this period. I am satisfied, however, that the evidence shows that the pop-up operated for at least several months and that the media coverage evidence confirms that it was successful and attracted significant custom which generated goodwill for the business.
51. I recognise the significant investment in the business by SH, and that he may claim a good deal of the credit for driving the success of the business with which he was closely associated. However, I also note that the enterprise was taken forward with his business partner AS, and that a limited liability company bearing the brand name - Kurobuta London Limited (KLL) – had been incorporated on 13 February 2013. KLL is described by SH at paragraph 19 of his witness statement as “*the first operating company we set up for the new business*”, and at the hearing Mr Harbottle reported that he had been told by those instructing him as counsel, that KLL was intended to operate the pop-up. Although neither party much focussed on KLL, and there is not a great deal of evidence in relation to it (although SH states that KLL was dissolved on 14 June 2016), I again find that the existence of a limited liability Kurobuta vehicle means that it is likely that the goodwill generated by the business attached and belonged to that entity and not to the SH personally. Such a company takes on responsibility for liabilities and risks arising from the business providing restaurant services and I find that it equally benefits from any relevant goodwill accruing.
52. Mr Harbottle also cited *Gromax*²⁹ in asserting that the title to goodwill necessary to sue for passing off is “*the monopoly and sole right to the use of the mark*”. I recognise that there may be exceptional circumstances, where the nature of the services is such that they attach personally and inevitably to an individual. For example, potentially the business of a barrister or conductor³⁰ may be considered completely personal and based purely upon that individual's ability. By contrast, Ms Jones referred to *Newman v Adlem*³¹, and the fact that the goodwill services of a funeral director were capable of assignment, and in that case, the

²⁹ *Gromax Plastics Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 at p. 390

³⁰ Jacob LJ in *Newman Ltd. v Richard T Adlem* [2005] EWCA Civ 741 at paragraph 26

³¹ *Newman (IN) Ltd v Adlem* [2006] FSR 16 at paragraph 36

Court of Appeal therefore found that as that business was assigned, despite his own name, Mr Adlem could not then derogate from that grant and assert a right to, effectively, set up in competition and start using his own name again. Ms Jones submitted that essentially the same applies here. I agree that notwithstanding that SH might have taken a leading role in the conception, presentation and content of the restaurant services, the goodwill in such services is capable of being assigned with a business; the business may in some sense be considered greater than the sum of its parts and the success of a restaurant will depend on various factors, particularly the skill and care of all of the individuals in its staff base.

53. My primary finding is that the goodwill in the pop-up accrued to KLL; however, even allowing for the evidence not being entirely clear³² as to the trading arrangements of the pop-up I find that the evidence fails to establish that SH personally had a monopoly and sole right to the use of the sign. **Exhibit AS2** is an article from Big Hospitality dated 30 June 2013, which anticipates the prospect of the first Kurobuta restaurant (at that stage seemingly planned to be at Kendal Street, Marble Arch), which refers to the planned opening by Scott Hallsworth and his *“business partner Andrew Stafford, formerly of Nobu and The Ritz”* where *“Hallsworth ... will oversee the kitchen, while Stafford, who is financial controller, will oversee operations.”* There is another article which likewise acknowledges the role of AS in the business venture. There therefore appears to have been a business partnership at the least. This is also in keeping with the subsequent shared ownership of KCL (SH 65%; AS 35%) and of KMA (SH 35%; AS 15%; PK 50%). There is no evidence at all that SH operated as a sole trader. I therefore reject the contention that the Registered Proprietor may claim personally to be the senior user of the sign or a right belonging to himself individually.

c. Did the asset sale agreements transfer goodwill attaching to the sign in relation to restaurant services to KBC Inc and KBM Inc?

54. I have found, for the reasons above, that KCL and KMA owned the relevant goodwill. AS states in his witness statement that it was his expectation the purchaser of the goodwill would be entitled to carry on the business under and by reference to the KUROBUTA trade name, and Clause 2.1 of each of the asset sale agreements³³ included the goodwill within the sales. Mr Harbottle stated in his skeleton argument that if it were found that KCL and

³² The evidence contained no financial or corporate returns in relation to KLL, nor indeed for any of the companies.

³³ **Exhibit SD12**, page 10; **Exhibit SD18**, page 10.

KMA owned the relevant goodwill, then, in the light of the evidence in reply, he accepted that KCL and KMA assigned their goodwill to KBC Inc and KBM Inc respectively.

d. Are the assignments of goodwill from KBC Inc and KBM Inc to the Applicant assignments in gross and therefore ineffective?

55. Mr Harbottle, on behalf of the Registered Proprietor, challenged the assignments from KBC Inc and KBM Inc to the Applicant (Kurobuta Limited), which he argued fell foul of the rule against assignments in gross. Both assignments are dated 11 December 2017, shortly before the Applicant made its application (21 December 2017) and they state that the Assignor agrees to “*assign the Goodwill to the Assignee on the terms set out in this Agreement*”. The agreed terms define “the Goodwill” as “*the goodwill, custom and connection of the KUROBUTA trade name in relation to the Kurobuta business and the right to represent itself as carrying on the Kurobuta business*”. The Assignment from the two companies to the single company that is the Applicant is in consideration of the sum of £1, and is expressed to assign: “*all its right, title and interest in and to the Goodwill, including (a) all statutory and common law rights attaching to the Goodwill; and (b) the right to bring, make, oppose, defend, appeal proceedings, claims or actions and obtain relief (and to retain any damages recovered) in respect of any infringement, or any other cause of action (including passing off) arising from ownership of the Goodwill whether occurring before, on or after the date of this agreement.*”³⁴

56. Both sides referred me to the same section of Wadlow that discusses assignments in gross as follows:

*“An assignment in gross can take two forms. The more common is for the owner of goodwill to purport to grant to a third party the bare right to use a mark which is distinctive of the assignor, there being no connection between the two which would justify its use by the assignee. The less common is for the assignor to purport to assign his goodwill in whole or in part without the assignee taking over any relevant interest in the business to which the goodwill related ... Both categories of transaction are regarded at common law as being inherently deceptive”*³⁵

³⁴ The assignment is also stated to be the entire agreement.

³⁵ Paragraph 3-197 of *The Law of Passing Off* 5th Edn

57. Submissions focussed only on the second form described by Professor Wadlow, where an assignor assigns goodwill without the assignee taking over any relevant interest in the business. Mr Harbottle referred to this as an attempt to assign the goodwill without the business. He submitted that neither assignment involves an assignment of the business as a going concern (assets, liabilities, contracts etc.). Although not in evidence, Mr Harbottle drew attention, via his skeleton argument to records from Companies House showing that the Applicant filed dormant accounts for the period from its incorporation (on 25 April 2017) to 30 April 2018, which period covers the date of the assignments of goodwill. In support of his position that this all amounts to an assignment in gross, Mr Harbottle cited the following two references from case law:
- (i) *Star Industrial Company Ltd v Yap Kwee Yor* [1976] FSR 256 at p. 262 approving the following statement of the law: “a purchaser of a mark becomes owner of it only if he becomes at the same time purchaser of the *manufactory or the business concerned in the goods* to which the mark has been affixed” (emphasis added by Mr Harbottle)
 - (ii) *Barnsley Brewery Co Ltd v RBNB* [1997] FSR 462 at p. 469: “an unregistered trade mark cannot be assigned apart from an assignment of *a business and the goodwill* associated with a business which is being run or has recently been run as a going concern” (again emphasis added by Mr Harbottle).
58. The primary submission on this point by Ms Jones was that the present circumstances do not give rise to an assignment in gross as the definition of goodwill in the assignment document is worded to include the right for the assignee to represent itself as carrying on the Kurobuta business which, in the circumstances of this claim, Ms Jones argued, equates to “a relevant interest” as described in Wadlow. Ms Jones also submitted that since the filed dormant accounts had not been filed in evidence, it would be problematic to draw any conclusions from that because the Applicant had not been in a position to respond on that point.
59. I recognise that there will be many circumstances in which valid assignment of goodwill will require the assignor to transfer its underlying assets – for example, the equipment it uses for making the related goods that are sold under a sign or the details of how to make those goods so as to ensure that the standards of quality remain the same. However, it seems to me that what is specifically required for an effective, valid assignment of goodwill may vary according to the circumstances of the case.

60. Mr Harbottle argued that to assign only the name and the goodwill without the whole business is an assignment in gross because it is potentially deceptive. Ms Jones also argued that the starting point is that the purpose of the assignment in gross rule is to prevent deception of the public. However, Ms Jones submitted that the cases where assignments have been found to ineffective on the basis of the rule against assignments in gross (apart from cases where there has just been a bare assignment to use a mark) are generally where there has been a business that has been abandoned and then some subsequent attempt assign the goodwill is invalid because it would have been deceptive. Mr Harbottle argued that the same general rationale also applies in the present case on the basis that it is deceptive because someone else is running the business, not the person to whom the name and the goodwill had been assigned. The witness statements of Savvas Demos (director of the Applicant) give no explanation for the incorporation of the Applicant company or why the transfer was made just in time for the cancellation application and the Applicant filed no evidence to suggest that it has in fact traded. Nonetheless, I accept Ms Jones's point that the Applicant has not had the usual opportunity to respond to the dormant company point, it not having been filed in evidence, and I find that I agree with Ms Jones argument that the circumstances of this case are not of a type envisaged to be covered by the rule against assignment in gross.
61. In Ms Jones's submission the circumstances of the current case not only involve an existing business that is operating at the relevant time, but also reflect widely recognised modern day business practices whereby people set up companies to deal with different aspects of essentially the same business. There appears (on the basis of the nominal consideration underpinning the assignment) to be a company arrangement under which there is still one ultimate source in control of existing related businesses and no deception on the public at large. I therefore accept that the assignment of 11 December 2017 to the Applicant is valid on its face, giving the Applicant standing to bring these cancellation proceedings.
62. Ms Jones also referred to section 24(6) of the Act permitting an assignment of a trade mark on its own, and that there is some tension between that position and the rule against assignments in gross, suggesting that a balance needs to be struck between the rule against assignments in gross, section 24 and modern business practices. However, I accept Mr Harbottle's point that section 2(2) of the Act states that "nothing in this Act affects the law relating to passing off", so the analogy is at least imperfect.

Conclusion as to goodwill: In view of my findings on issues (a) – (d) above, I conclude that the Applicant had actionable goodwill at the relevant date based on the provision food and restaurant services.

e. Would use of the contested mark by the Registered Proprietor amount to a misrepresentation?

63. The tort of passing off requires goodwill, misrepresentation and consequent damage. Mr Harbottle argued that at the filing date the name Kurobuta was associated by the public with the Registered Proprietor and not with the companies and that accordingly any use by him of the name cannot possibly have given rise to a risk of a misrepresentation. Mr Harbottle referred to the following statements from *Wild Child* [1998] RPC 455:

A helpful summary of the elements of an action for passing off can be found in Halsbury's Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165 ...

“To establish a likelihood of deception or confusion in an action for passing off where there has been no direct misrepresentation generally requires the presence of two factual elements:

- (1) that a name, mark or other distinctive feature used by the plaintiff has acquired a reputation 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 feature which is the same or sufficiently similar that the defendant's goods or business are from the same source or are connected.*

While it is helpful to think of these two factual elements as successive hurdles which the plaintiff must surmount, consideration of these two aspects cannot be completely separated from each other, as whether deception or confusion is likely is ultimately a single question of fact.

In arriving at the conclusion of fact as to whether deception or confusion is likely, the court 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 plaintiff and the defendant carry on business;*
- (c) the similarity of the mark, name etc used by the defendant to that of the plaintiff;*

- (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 confusion or 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.”

64. Notwithstanding that the Registered Proprietor may be closely associated with the contested mark, I do not accept that there would be no misrepresentation for the purposes of section 5(4)(a). Having determined that the ownership of goodwill is with the Applicant, it would be circuitous and would circumvent the ownership of goodwill and its onward sale if SH could defeat the requirement for misrepresentation by virtue of his reputation and degree of connection with the sign. Ms Jones cast her argument on this point in the setting of the facts in *Newman v Adlem* – arguing that it did not matter that Mr Adlem originally ran his funeral business. Once that goodwill passed to a third party, Mr Adlem was not at liberty to restart his former business under his own name because that would amount to a misrepresentation in relation to the business that he has just sold and that someone has paid good money for, and he would be at risk of a passing off action from the new business owner.

65. I address below the extent to which the goods and services overlap, but there is at least some commonality in the fields of activity and the sign relied on is identical to the registered mark. There is therefore no doubt as to satisfaction of the criterion for misrepresentation (nor of consequent damage). I also reject the Registered Proprietor’s claim in his counterstatement that any goodwill claimed by the Applicant is in itself deceptive goodwill and is thereby extinguished. In line with that conclusion, I note the following observation by Jacob LJ in *Newman v Adlem*:

25 Before going further, I should say a little more about the effect of an assignment of a business with goodwill. That this is normally permitted and regarded by the law as lawful and effective hardly needs stating, but it can involve an oddity. For customers of the assigned business will not normally know about its assignment—they are apt, at least in the first instance, to deal with the new owner as if there had been no assignment. Take an everyday example, the sale of a one-man solicitor’s business. Suppose he is called Tom Brown, calls his practice by that name and retires, selling the practice and goodwill to a newcomer who continues to use the name. Old clients may return to consult the firm, or recommend the firm to others, without any knowledge of the assignment. All that is commonplace. Yet it can be said that customers are misled—

that when they come into the office they find the new Mr Green instead of Mr Brown. The law allows that kind of “deception”. I put the word in quotations because although the client or customer will be surprised, he has in fact gone to the business to which he intended to go.

f. Would use of the contested mark in relation to all goods and services for which it is registered amount to passing off?

66. The Applicant claims to have used the sign throughout the UK and that its goods and services are the same or similar to those specified under the Registered Proprietor's mark. The central business of Kurobuta that gives rise to the claimed goodwill and reputation is clearly the provision of food and restaurant services. Mr Harbottle accepted that the restaurants had a significant reputation in London and were used by the general public, but denied there was evidence of use of the Kurobuta mark on any other goods or services. He argued that consequently the possibility of a successful claim based on section 5(4)(a) should be limited to the class 43 services.

67. Passing off requires that there is likely to be confusion among the common customers of the parties. Consequently, the proximity of the parties' fields of activity is a factor to be taken into account when deciding whether use of the mark would cause the necessary confusion. I bear in mind such factors as expressed in *Wild Child* above, and other principles from case law. For example, in *Stringfellow v. McCain*³⁶ Slade LJ observed that the further removed from one another the respective fields of activities, the less likely was it that any member of the public could reasonably be confused into thinking that the one business was connected with the other. He added³⁷ that:

'even if it considers that there is a limited risk of confusion of this nature, the court should not, in my opinion, readily infer the likelihood of resulting damage to the plaintiffs as against an innocent defendant in a completely different line of business. In such a case the onus falling on plaintiffs to show that damage to their business reputation is in truth likely to ensue and to cause them more than minimal loss is in my opinion a heavy one.'

68. Notwithstanding that the parties in this case may, in reality, occupy the same field of activity, my assessment must be on the basis of notional use of the registered mark across the spectrum of the goods and services under the contested registration. I bear in mind the inherently distinctive nature of the sign/mark, enhanced through use, and find that the Applicant's goodwill in relation food and restaurant services may reasonably prevent the

³⁶ *Stringfellow v. McCain Foods (G.B.) Ltd.* [1984] R.P.C. 501, at page 535.

³⁷ *Ibid* at page 545.

Registered Proprietor from using his registered mark for the food goods specified. Given the central role of food in the services squarely covered by the goodwill, if the Proprietor were to use his mark in relation to the goods in classes 29 or 30 there is a risk that the average consumer may be confused and believe that the goods were connected with the Applicant. And given that it is not uncommon for restaurants to provide take-away, the packaging and delivery services in class 39 might similarly lead to confusion.

69. I indicate below the goods and services in the contested registration that I consider to be insufficiently close to the source of the goodwill in this case. These are primarily the class 25 goods and the digital communications-type services in class 38. Even though the evidence included a photograph of someone (likely a waiter) wearing a t-shirt with Kurobuta on it, I do not consider the goodwill of the sign to extend to clothing etc or the sale of such. Similarly, although the restaurant may showcase its services by digital means and platforms (such as on its website), the core of digital services of that type are separate from the underlying restaurant services. I also exclude aspects of the retail services in class 35 because I am not satisfied on the evidence that the goodwill owned by the Applicant extends to all the related goods there listed. While there may be some restaurants that are so well known that the reputation of their brand would take in, for example, *kitchen implements* and other goods listed within the Proprietor’s class 35 specification, the evidence does not warrant such a finding in respect of the Applicant.

| Class | Registered Proprietor’s goods and services - the goods and services scored through are those declared invalid by this decision |
|-------|---|
| 25 | Clothing; footwear; headgear; caps; t-shirts. |
| 29 | Meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables; jellies, jams; fruit sauces; eggs, milk and other dairy products; edible oils and fats, preserves, pickles; prepared products made wholly or principally of any of the aforementioned. |
| 30 | Tea and other infusions; coffee; cocoa; pastry and confectionery; bread; rice; sugar; soya; cereal products; prepared products made wholly or principally from rice, soya or cereal products; sushi; pickles and sauces; salt, mustard; vinegar; sauces (condiments); spices; ice. |

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|----|---|
| 35 | Retail and online retail services connected with the sale of food, beverages, clothing, footwear and headgear; the bringing together, for the benefit of others, a variety of goods namely food, drink, printed matter, books, magazines, clothing, footwear, headgear, household and kitchen implements and utensils, crockery, textile goods, namely household, home, kitchen and table furnishings and linen, enabling customers to conveniently view and purchase those goods from an Internet website; information, advisory and consultancy services relating to the aforementioned services. |
| 38 | Streaming of audio material on the internet; streaming of video material on the internet; streaming of data; transmission and broadcasting of text, messages, information, sound and still and moving images; message sending; message collection and transmission services; message board services; provision of chat room services; electronic mail services; transmission of photographic images; on-line bulletin board services; providing access to non-downloadable software to enable uploading, downloading, capturing, posting, showing, editing, playing, streaming, or otherwise providing electronic media, multimedia content, videos, movies, pictures, images, text, photos, games, user-generated content, audio content, and information via telecommunication networks, the Internet and other computer and communications networks; providing access to non-downloadable software to enable viewing, previewing, displaying, tagging, blogging, sharing, manipulating, distributing, publishing, reproducing, or otherwise providing electronic media, multimedia content, videos, movies, pictures, images, text, photos, games, user-generated content, audio content, and information via telecommunication networks, the Internet and other computer and communications networks; providing access to non-downloadable software to enable sharing of multimedia content and comments among users; providing access to non-downloadable software to enable content providers to track multimedia content; web messaging; information, advisory and consultancy services relating to the aforementioned services. |
| 39 | Packaging and delivery of food products; food and drink delivery services; delivery, storage and distribution of food and drink prepared for consumption ordered from an Internet website or by means of telecommunications; information, advisory and consultancy services relating to the aforementioned services. |

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| 43 | Providing food and drink services; providing of food and drink by means of on-line ordering; food and drink takeaway services; cafes and cafeteria services; canteen services; catering services; restaurant services; self-service restaurant services; snack bars; services for providing food and drink; providing information about the provision of food and drink; information, advisory and consultancy services relating to the aforementioned services |
|----|--|

OUTCOME: The application for a declaration of invalidity succeeds to the limited extent indicated in the table above. In respect of the scored-through aspects of the specification, the Proprietor’s registration is deemed never to have been made and will be removed as from its date of application (31 March 2017).

70. **Costs:** The Applicant has partially succeeded in its application to declare invalid the Proprietor’s trade mark, but has failed in relation to a good deal of the contested registration. I find on balance that the Applicant is entitled to a contribution towards its costs, which I award based on the guidance in Annex A of Tribunal Practice Notice (“TPN”) 2/2016. The level of costs awarded takes into account that not all of the Applicant’s evidence was influential (such as its undated material as to use of the sign), and particularly reflects a reduction on the basis that the application did not succeed against the whole of the registration:

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| Official fee for Form TM26(l) | £200 |
| Preparing a statement and considering the other side’s counterstatement | £200 |
| Preparation of evidence and considering and commenting on the other side’s evidence | £400 |
| Preparation of skeleton argument in light of other side’s submissions and attendance at hearing | £400 |
| Total | £1200 |

71. I order Scott Hallsworth to pay Kurobuta Limited the sum of £1200 (one thousand two hundred pounds) which, in the absence of an appeal, should be paid within fourteen days of the expiry of the appeal period.

Dated this 16th day of May 2019,

Matthew Williams, For the Registrar

Annex 1

| Class | Goods and services claimed by the Applicant |
|-------|--|
| 25 | Clothing; footwear; headgear |
| 29 | Meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs; milk and milk products; edible oils and fats; prepared products made from any of the aforementioned goods. |
| 30 | Coffee, tea, cocoa and artificial coffee; rice; tapioca and sago; flour and preparations made from cereals; bread, pastries and confectionery; edible ices; sugar, honey, treacle; yeast, baking-powder; salt; mustard; vinegar, sauces (condiments); spices; ice. |
| 35 | Retail and online retail services connected with the sale of clothing, footwear, headgear, food, beverages, books, magazines, household and kitchen apparatus, crockery; enabling customers to view and purchase the aforesaid goods from an Internet website; information, advisory and consultancy services relating to the aforementioned services. |
| 38 | Streaming of audio material, video material and data via the internet; transmission and broadcasting of text, messages, information, sound and still and moving images; message sending; message board services; web messaging; provision of chat room services; electronic mail services; on-line bulletin board services; providing access to non-downloadable software to enable the sharing of data via the internet, computer networks and telecommunications networks, including electronic media, information, multimedia content, user-generated content; videos, movies, pictures, images, text, photos, games and audio content; information, advisory and consultancy services relating to the aforementioned services. |
| 39 | Packaging and storage of food and drink products; transportation and distribution of food and drink products made for consumption and ordered online. |
| 43 | Services for providing food and drink; online ordering services for food and drink; takeaway services for food and drink; catering services; restaurant services; cafe services; cafeteria services; providing information about the provision of food and |

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| | drink; information, advisory and consultancy services relating to the aforementioned services. |
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