

TRADE MARKS ACT 1994

**IN THE MATTER of Application No 2192332
by Karl Harrison**

and

**IN THE MATTER of Opposition thereto under No 50250
by Teton Valley Trading Company Ltd**

Background

1. On 19 March 1999, Karl Harrison, applied under the Trade Marks Act 1994 to register the trade mark **CHINA WHITE** for a specification of goods which reads:

Class 32

Beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.

Class 33

Alcoholic beverages (except beers) including 'cocktails'.

2. The application was accepted and published and given the number 2192332. On 7 October 1999, Teton Valley Trading Limited filed notice of opposition on Form TM7 together with the appropriate fee. The statement of case accompanying the notice of opposition set out various grounds on which the application was said to be opposed. The grounds covered sections 5 and 3(6) of the Trade Marks Act 1994. However, an amended statement of grounds was filed with the opponents' letter of 12 December. This reduced the grounds of opposition to two. They can be summarised as:

- (a) under section 5(4) in that the opponents are the proprietors of a nightclub called **CHINA WHITE**. That use of the mark **CHINA WHITE** has been made in relation to alcoholic beverages and especially cocktails and entertainment service and night club services including the provision of alcoholic and non-alcoholic drinks. That first use of the mark was before that of the application in suit and as a consequence of such use, the mark **CHINA WHITE** has developed a goodwill and reputation for these goods and services such that registration of the mark in suit would be contrary to the law of passing off;
- (b) under section 3(6) in that the mark has been filed in bad faith as the applicant was aware of the opponents' prior use of the sign in relation to the goods and services for which it has been used.

3. The applicant filed a counterstatement denying the grounds of opposition and putting the opponents to proof of the claims made in their statement of grounds. Evidence was filed by both parties and the matter was due to be heard before me on 5 December 2001. The applicant was to be represented by Mr Mark Engelman of Counsel instructed by Markforce, the opponents by their representatives DLA.

4. However, shortly before the hearing, two events occurred. Firstly, the applicant sought leave in letters dated 20 November and 28 November, to adduce two sets of further evidence under rule 13(11) of the Trade Marks Rules 2000. Secondly, on 30 November, the opponents' representatives informed the Office that they would no longer be representing their clients. The letter stated that the applicant had raised an issue of a possible conflict of interest, this issue had been raised before but not taken to a hearing. The letter from DLA stated that as this had been raised for a second time, they had decided to withdraw and the opponents would be represented by Field Fisher Waterhouse. Field Fisher Waterhouse were duly appointed as representatives on 30 November 2001.

5. In the light of these developments, both DLA and Field Fisher Waterhouse, on behalf of the opponents, made requests for the hearing on the 5 December to be postponed. These requests were opposed by the applicants. As the request was opposed, I heard submissions on this matter on 5 December 2001. Following submissions on this point, I gave a short oral decision granting the request for postponement and giving certain directions as to the further conduct of these proceedings.

Applicant's Request to file further evidence

6. The applicants' requests to file further evidence, were contained in their letters of 20 and 28 November. The relevant witness statements and exhibits were attached to these letters and copied to the opponents. In a letter dated 12 December, the opponents indicated that they did not object to the second witness statement of Mr Harrison being admitted into the proceedings. However, they maintained their objection to the remainder of the applicants' further evidence. At an interlocutory hearing before me on 8 January 2002, I heard submissions on this point. In submissions, the applicant indicated that the new evidence was central to their defence of the application. The applicant wished to rely on the defence of *ex turpi causa non oritur actio* (an action does not arise from a base cause). At that hearing I gave a short oral decision admitting the further evidence and setting a period of time for the opponents to file evidence in reply. Further, I directed that an amended counter-statement should be filed which should particularise the applicant's defence. This was filed on 15 January 2002. It particularises his defence thus:

“The opponent employs the name CHINA WHITE as the signage of its night-club, the said name being a pseudonym for *inter alia* heroin, synthetic heroin, fentanyl and other drugs which are controlled drugs pursuant to the Misuse of Drugs Act 1971.

The opponent, by use of appropriate decoration, furniture and fittings presents its night-club in a style appropriate and common to opium dens and other establishments used for the taking of drugs.

The opponent, by its servants or agents, failed to discourage or prevent the use of controlled drugs on its premises when an enquiry as to such use was made of it.”

7. There then follow allegations as to offences under the Misuse of Drugs Act 1971. I do not need to summarise these here but will deal with them at the appropriate point in the decision. The counter-statement continues:

“Further and in the alternative, the opponent by so doing is acting illegally and therefore contrary to public policy such as to dis-entitle itself to the protection afforded to it by the Trade Marks Act 1994 or in the alternative affords the applicant a complete defence to the allegations set out in the statement of grounds.”

8. The opponents filed their further evidence in reply and the substantive hearing took place before me on 13 March 2002. The opponents were represented by Mr Mark Holah of Field Fisher Waterhouse, the applicants by Mr Mark Engelman of Counsel instructed by Markforce.

Evidence

Opponents' Evidence

9. This consists of:

- A statutory declaration of Mr Rory Mark Keegan dated 11 April 2000. Mr Keegan is one of six directors of Teton Valley Trading Company Limited (the opponents). He gives evidence as to the establishment of a nightclub CHINAWHITE, the promotion of the club, the coverage it received in newspapers and magazines, the creation of a cocktail by the name of CHINAWHITE and the involvement of the bar manager a Mr Matt Rymer. He goes on to give evidence relating to the development of a goodwill and reputation in the CHINAWHITE name.
- A statutory declaration of Mr Mark Armstrong, dated 11 April 2000. Mr Armstrong is the Chairman of Armstrong Entertainment. He created the “London Club Awards” in 1993 and he states that at the awards on 4 May 1999, the award for the Best New Club Award was given to CHINAWHITE. He gives evidence as to how this choice was made and that he first became aware of the club CHINAWHITE in September 1998.
- A statutory declaration dated 11 April 2000 by Patrice Gouty another of the Directors of the opponents. He is also general manager of CHINAWHITE and has been involved with the club since about March/April 1998, some six months before it opened. He gives evidence as to his early involvement in CHINAWHITE and the recruitment of his cousin Arnaud de Fort as Assistant Bar Manager and a Matt Rymer whom he recruited as Bar Manager. He goes on to give evidence as to the reputation of CHINAWHITE, the creation of the CHINAWHITE cocktail and the subsequent dismissal of Mr Rymer from their employment.

Applicant's Evidence

10. This consists of:

- A statutory declaration by Mr Karl Harrison, the applicant, dated 7 December 2000. Mr Harrison gives evidence as to his involvement in a number of companies trading in bars and restaurants; health, beauty and well being; film; music; and travel. He gives evidence as to the circumstances which brought him into contact with Mr Matt Rymer and to the development of the idea of developing a product to be sold under the name CHINA WHITE. He makes various comments in reply to the evidence of the opponents seeking to show a goodwill and reputation in the name CHINAWHITE and also seeking to show that the application was made in bad faith.
- An undated statutory declaration by Ms Jasmine Dotiwala, a Producer and Presenter for MTV News. In her evidence she states her opinion that it is not normal practice for a club to market commercially one of its drinks sold under its name. She also gives evidence as to the manner in which clubs are promoted.
- An undated statutory declaration by Mr Bernard Masters Hudson, a Marketing Research Consultant with IQPlus a marketing research based in Oxford. He gives evidence of a survey conducted concerning the name CHINA WHITE. In my view this is of very little evidential value, suffering as it does from a number of defects. Neither party sought to rely on it and so I will say no more about it.

Opponents' Evidence in Reply

11. This consists of:

- A further statutory declaration dated 3 July 2001 from Mr Gouty. He gives evidence in reply to that of Ms Dotiwala showing that some clubs and bars have house cocktails named after the venue and sell them at that venue.
- A statutory declaration of Mr Fiddes, however, this was withdrawn from the proceedings and I need say no more about it.

Further Evidence

Applicant's Further Evidence

- A second witness statement of Mr Karl Harrison dated 28 November 2001. Mr Harrison gives evidence as to his contact with Mr Matt Rymer. He exhibits confidentiality agreements associated with the "formula and know-how relating to the mixing of the cocktail "currently known as 'China White'".
- A witness statement by Mr Gregory John Poulter dated 19 November 2001. Mr Poulter was from 1991 to 1999, Deputy Director of Release the national drug advice charity. He then established the Drug Education and Training Unit whose object is to

provide training in the drug field. He gives evidence as to the meaning of the term CHINA WHITE.

- A witness statement dated 24 October 2001 by Mr Salim Hafejee a qualified barrister working with Release. He too gives evidence as to the meaning of the term CHINA WHITE.
- A witness statement dated 20 November 2001 by Mr Michael Domenico Bilewycz, a trade mark attorney and Director of Markforce Associates, the applicant's representatives in this matter. He too gives evidence as to the meaning of the term CHINA WHITE and refers to various exhibits from the internet. He also gives evidence of a conversation with a police inspector at the Drugs Directorate of the Metropolitan Police Force.
- A witness statement dated 20 November 2001 by Mr Cameron Gowlett of The Duncan Mee & IPI Partnership. Mr Gowlett's evidence gives an account of a visit to the opponents' premises and his observations whilst there.

Opponents' Further Evidence in reply

- Witness statements from Messrs Guilio Rossi, Arnaud de Fort and Christophe Turlais concerning the confidentiality agreements attached to Mr Keegan's second witness statement.
- A second witness statement by Mr Rory Mark Keegan dated 7 February 2002. Mr Keegan's evidence is primarily directed in reply to the evidence of Mr Gowlett concerning his visit to the nightclub but he also makes comments in reply to the other further evidence submitted by the applicants.

12. From this evidence the following background facts emerge. Some of the evidence is not contradicted but where necessary, I have set out the version of events as it appears in the opponents' or applicant's evidence.

CHINAWHITE the Nightclub

13. The opponents occupy premises at 6 Air Street underneath the Café Royal Hotel in London. At this location, Teton Valley Management Limited run a nightclub named CHINAWHITE under licence from the opponents. Mr Keegan, one of six directors in the opponents' company, considers himself to be the creative force behind CHINAWHITE.

14. CHINAWHITE occupies an area of approximately 5,000 sq ft and has a capacity in the region of 414. It seems that Mr Keegan came across the premises whilst looking for a location for a restaurant. He saw the potential for it to be a nightclub and set about trying to raise the necessary finance. The builders moved in on 4 September 1998. Initially they had thought of and used the name AIRHEADS to apply for their liquor licence, however, at about this time, September 1998, they decided to use the name CHINAWHITE. This name was first used from November 1998 when they started to have their first private parties.

15. Exhibit RMK2 to Mr Keegan's first declaration is a brochure with pictures of the interior of the club. Mr Keegan describes the club as having an Indonesian flavour, with traditionally Indonesian furniture being fused with a theatrical flair to create a dramatic and colourful series of rooms. It is certainly unusual in its decor which I would describe as oriental. The club operates as a bar, restaurant and nightclub and is open from 8.00pm to 3.30am on Mondays to Saturdays inclusive. The club is also used at other times, i.e. during the day and on Sundays, for private parties and events, including product launches, intimate dinners, after-show parties, photo shoots etc.

16. CHINAWHITE operates a membership scheme, although the management also reserves the right to, and often does, admit non-members to the club on a discretionary basis. The club is said to be aimed at the top end of the bar and club market. The club has approximately 1,400 members who range from celebrities and media executives to bankers and corporate high flyers. Large sums of money were not spent on attempting to generate a high profile, instead, Mr Keegan sought to develop a "cool" image for the club and sought to influence key people in their target market.

17. Even before the club was open, there were a series of "hard-hat" parties at CHINAWHITE. Key people from various corporations and organisations were invited to the club whilst it was still being built, put "hard hats" on and were shown around. Such visitors were asked for their input on various design features such as colours etc. The development of the club was filmed by Chrysalis Television as part of their "A bit of posh" series of programmes which had been commissioned for Sky One. Although it was filmed during October 1998 to December 1998 the programme was not aired until August 1999.

18. Two public relations firms were hired to assist in publicising the club and to deal with any enquiries. The club adopted a "hard to get" attitude towards the press. They would never inform the press of any parties at CHINAWHITE, even high profile parties. An example is given in Mr Keegan's evidence of a party held on 21 October 1999 for Madonna. It is stated that when a representative of the Evening Standard telephoned CHINAWHITE to find out whether they had held a party for Madonna they denied all knowledge of it. He says that on 22 October 1999, the Evening Standard ran an article featuring celebrity parties at a number of London venues, which praised CHINAWHITE's organisation of the Madonna party, even though journalists had not been allowed into the premises and they had denied any knowledge of the party.

19. Actual parties (as opposed to hard-hat parties) were also held at CHINAWHITE in the period from about 4 November 1998. For the first parties, building work would cease and the builders would remove their materials and the club would be quickly put in order for one night. The following day the building work would recommence. An example of this procedure can be seen in "A Bit of Posh" video at exhibit RMK3.

20. Early parties included a birthday party on 14 November 1998 for Mariella Frostrup (television presenter, journalist and socialite) and Catherine Fairweather (the travel editor of Harpers Bazaar). They also held a "Ying Yang" ball for which they selected affluent and professionally successful invitees from the younger 18-30 age group.

21. It seems that there was never any official opening for CHINAWHITE. The promotional period during which it survived as a purely party based venture was short. Therefore, by the time Christmas and New Year were over at the end of 1998, the club went into its second phase open six nights a week. From the evidence, it is stated that the club got off to a good start with takings far higher than they had anticipated.

22. In order to raise the clubs profile with the press, Mr Keegan began to assault the press with stories. An example is given in the evidence of a story about the entertainer Robbie Williams being refused entry into CHINAWHITE. He had in fact been asked to drive around the block and return later. It seems that Mr Keegan used his PR people to plant the story with the press. He seems to have been successful as the story appeared in a number of newspapers including The Evening Standard, The Sun, The Daily Star, and some regional press.

The Growth of the nightclub CHINAWHITE

23. The opponents give evidence as to the development of the reputation and goodwill in the CHINAWHITE name.

24. Anticipated sales figures are given for food and beverages for various periods. In the run up to the relevant date in these proceedings, anticipated sales for February and March 1999 were £142,959. Actual sales of food and beverages for the last two weeks of February 1999 amounted to £69,000 per week. During the period 2 December 1998 to 19 March 1999 it is stated that the food and beverage take at the club was over £3/4 million.

25. Reference is also made in the opponents' evidence to numerous press and magazine articles published during the period November 1998 through to the relevant date 19 March 1999. There are a large number of cuttings submitted in evidence covering both the broad sheet and tabloid press. They include numerous articles in, The Evening Standard, and articles in The Daily Mail, the Daily Telegraph, The Guardian, The Times, The Sunday Times, The Independent, The Sun, The Daily Star, and The Mirror. Articles also appeared in Magazines including two in Harpers and Queen in January 1999 and in Elle's January and February 1999 editions and three references in the March edition. Articles also appeared in GQ magazine, Class and Interiors for Architects and Designers. An article also appeared in the March 1999 edition of L'Uomo Vogue, the Italian edition of the fashion magazine.

26. Evidence is given as to the clientele attracted to the club. It seems to include, pop, film, television and sports stars and personalities such as Tara Palmer-Tomkinson and fashion designer Yves Saint Laurent. Other clientele include industry and corporate figures.

The Staff at CHINAWHITE

27. Mr Patrice Gouty is one of six directors of Teton Valley Trading Company Limited, he is also a director and shareholder of Teton Valley Management Limited and is General Manager of CHINAWHITE. He had worked in the catering, bar and restaurant business for 18 years. Immediately before joining CHINAWHITE, he spent approximately 4 ½ years at Trader Vic's, a Polynesian restaurant at the Hilton Park Lane in London. He left his employ there on September 1998 and joined CHINAWHITE on a full-time basis on the same day. He had

worked on the project on a part-time basis before this. As General Manager he recruited all the staff at CHINAWHITE. A number were recruited from Trader Vic's including his cousin Arnaud de Fort who joined as Assistant Bar Manager. He also recruited a Mr Matt Rymer as Bar Manager with whom he had worked at Trader Vic's sometime before.

The Development of the Cocktail

28. Mr Keegan, Mr Gouty (the General Manager) John Stephen (A Director of both Teton Valley Trading Company Limited and Teton Valley Management Limited) and other senior staff would hold management meetings on a Monday at which day-to-day issues would be discussed. Mr Keegan's evidence states that as early as August 1999 they had discussed the need to have a signature cocktail for CHINAWHITE. Mr Keegan and Mr Gouty state in their evidence that at one such meeting in early October 1999, Mr Keegan and Mr Gouty instructed the bar manager Mr Rymer to develop a recipe for a cocktail with his team, to be called CHINAWHITE. They state that Mr Rymer was given some direction as to the requirements the cocktail was to fulfil. He was instructed that it should be white, oriental/south east Asian in flavour and be suitable to be served in a Martini glass. It is stated that the instruction was given to Mr Rymer as part of his duties as a bar manager.

29. It is the opponents' position that Mr Rymer and his team including CHINAWHITE's current bar manager and then assistant bar manager Mr Arnaud de Fort and Mr Gouty, worked on a suitable recipe which was ultimately approved by Mr Gouty. It is asserted that Mr de Fort came up with the fruit juices for the drink and sourced those juices from shops local to where he lived. A drink was created in early December 1998. Mr Gouty states that it contained lychee and guanabana juice as well as lime juice, a particular brand of coconut rum and white rum. The CHINAWHITE cocktail was available and sold at CHINAWHITE since December 1998.

30. It is stated that the CHINAWHITE cocktail was a great success. The nightclub uses a Karpad financial management system which shows how many types of drink have been sold. A print out is exhibited in the evidence at RMK4. It shows at entry 817, 221 CHINAWHITE cocktails. Mr Keegan's evidence explains that the cocktail was only entered as a separate item on the Karpad system on 12 March. He tries to project the figure back assuming a constant rate of sales from December 1998. This would make the cocktail the most popular cocktail sold at CHINAWHITE.

Matt Rymer

31. Mr Gouty's evidence states that as soon as the drink was developed, Mr Rymer was told that when the moment came for them to bottle and exploit it they would ensure that he would be financially rewarded by bonus payments but they never discussed the basis upon which such a reward would be made. In March 1999, Mr Rymer went to Mr Gouty at CHINAWHITE to inform him that the design for the bottle and packaging for the CHINAWHITE cocktail had been finalised with at that time, an undisclosed associate. It is stated by Mr Keegan and Mr Gouty that Matt Rymer informed them that he had been frustrated by what he saw as the delay in developing and marketing the CHINAWHITE cocktail and for that reason, he had "discussed it with a friend" who then made the application. It is stated that Mr Gouty pointed

out the seriousness of the situation but Matt Rymer did not seem to think that he had done anything wrong.

32. The opponents discovered that the application in suit had been filed and that the applicant was a Mr Harrison. Following these revelations, various steps were taken by the opponents which led to the dismissal of Mr Rymer.

Mr Harrison

33. Mr Harrison was known to Mr Gouty as the owner of the Spot Bar in Covent Garden but the two had not met. Subsequently the parties had various telephone calls and did meet in order to discuss this issue. Accounts of the telephone calls and meetings are given in both parties' evidence but I need not summarise them.

34. The opponents' evidence shows that Messrs Rymer and Harrison set up a limited company together called CHINA WHITE LIMITED, number 3735593. The company was incorporated on 18 March 1999, the day before Karl Harrison made the application. Messrs Rymer and Harrison both signed Form 10 (First Directors and Secretary and intended situation of registered office) as the first two directors of the company. Karl Harrison signed on 8 March 1999 and Matt Rymer on 9 March 1999. The opponents submit that the reason this company was incorporated was to exploit the CHINA WHITE drink. A drink which in their view they instructed Mr Rymer to develop.

35. Mr Harrison is a director and shareholder in several companies trading in areas which include; bar and restaurants; health, beauty and well-being; film; music; and travel. In particular, he is a director of Stringbase Limited which owns THE SPOT Convent Garden. This has been open since December 1993. The company also owns The Pitch and Pint in London. He is also a Director and Sharehold in The Four S Corporation Limited which owns and operates Boulevard Bar and brasseries in London. Mr Harrison is a former Director and Shareholder in Oxygen Restaurants Limited which opened Oxygen in Leicester Square. This is now owned by Chorion plc. He is also a former Director and Shareholder in Langley Hotels Limited formed in 1998 to open The Langley in London. This venue is also now owned by Chorion plc.

36. Mr Harrison admits to being a director of CHINA WHITE LIMITED a company which it is stated is wholly owned by STRINGBASE LIMITED of which he is also a Director. David Blackwood is said to be a director of both companies. Mr Harrison admits that the company was formed to develop and commercially exploit alcoholic and non-alcoholic beverages for the UK and internationally. Mr Rymer is no longer a Director of CHINA WHITE LIMITED but is a "consultant to the company"; (Mr Harrison's first declaration paragraph 6 (iv)(c).)

The Cocktail - the Applicant's Version of Events

37. In November 1998, the applicant was approached by Matt Rymer with a commercial proposal. Mr Harrison has known Mr Rymer as a friend since 1993. Mr Rymer informed Mr Harrison that he had developed a premium cocktail called CHINA WHITE and that, in Mr Harrison's own words, "a derivative of his drink was to be served at a new venue of the same

name to be opened in December 1998 and where he was working as a barman. Matt informed me that he was not bound by the terms of any formal contract.”

38. Mr Harrison had previously considered developing a drink for market as he felt able to launch it initially through his own venues as well as those of another shareholder in Stringbase, Mr Ken Todd. Mr Todd also owns a number of West End bars.

39. Mr Harrison had some preliminary discussions with Mr Rymer and he prepared his drink for them to taste in or around the end of November 1998. Mr Harrison states that as far as he was concerned, the drink was under the sole proprietorship of Matt Rymer and that he could do with it as he would.

40. Their discussions were put on hold through the busy Christmas period and were reconvened in January 1999. Mr Harrison informed Mr Rymer that he was interested in taking the matter further. He states that it was decided that they should use the working title CHINA WHITE and he instructed agents to carry out searches of company names and trade marks. There were no companies by that name and no trade marks in the relevant classes. Agents were instructed to form the company CHINA WHITE LIMITED and to file the application in suit. He states that no application was made in Class 42 as they had become aware of the new bar/club by that name. Evidence is given as to the commercial preparations that have been made to develop the drink CHINA WHITE but I need not summarise these. Sample bottles have been prepared and other preparations made but there has been no commercial use of the trade mark by the applicant at the relevant date.

Denial of Bad Faith

41. Mr Harrison denies filing the application in bad faith. He states that:

“I had little or no knowledge of Mr Keegan and his company and recognised no bad faith in my decision to develop and market the drink CHINA WHITE. Indeed, even though I am a Director of a company with bar and restaurant interests at no stage did I intend using the CHINA WHITE name in relation to any such operations. My application was submitted in good faith and accepted as valid.”

42. That concludes my review of the evidence. Other aspects of the evidence submitted by both parties will be dealt with as part of my decision.

Decision

43. The grounds of opposition refer to sections 3(6) and 5(4)(a) of the Trade Marks Act 1994. The relevant provision reads as follows:

“3(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

“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.”

The Applicant’s Defence - *ex turpi causa non oritur actio*

44. The applicant’s and opponents’ representatives made detailed submissions on this issue. In short, the applicant contends that the opponents cannot look to rely on any goodwill or reputation they may enjoy in the nightclub either because of the criminality of the conduct of the opponents or the immoral conduct associated with a name such as CHINAWHITE when used in association with the promotion of nightclub activities.

45. At an earlier hearing I understood Mr Engelman to suggest that the application of the principle of *ex turpi causa* would be a complete defence to his clients, preventing the opponents from pursuing their objection under section 5(4)(a) and section 3(6). However, at the substantive hearing he only addressed me on the application of the principle to the opponents’ ground under section 5(4)(a). I think that this was correct. The opponents’ objection under section 3(6) goes to the intention of the applicant in making the application for CHINA WHITE in respect of the specification of goods as set out in the application and this is not linked to the behaviour of the opponents.

46. Later in the decision, I consider the opponents’ substantive ground of opposition under section 5(4)(a). Having considered the submissions made to me, I find that the necessary requirements for passing off have not been shown. As such, whether the defence of *ex turpi causa* does or does not apply is otiose. However, as both parties made detailed submissions on the issue I will consider the applicant’s defence and set out my findings in full.

47. Mr Engelman took me to various textbooks on the subject of *ex turpi causa*. “*Winfield & Jolowicz on Tort*” (15th Edition) defines the principles thus:

“It is a well known principle of the law of contract that if the plaintiff has to found his claim on an illegal act or agreement he will fail: *ex turpi causa non oritur actio*. Though that maxim may be properly confined to cases involving contracts there are also certainly cases of tort in which to allow recovery to a plaintiff implicated in illegality would shock the court’s conscience, the difficulty arises in determining when a claim will be rejected for this reason.”

48. Later it continues:

“Despite its rejection in the context of contract, the courts in tort cases still show an inclination to base the illegality defence on a broad idea of what would affront the conscience of the court or the public. No doubt the defence is not confined to crime

but where the act is not a crime the court should be particularly cautious about applying public policy to reject a claim.”

49. Michael Jones in “*Textbook on Tort*” states:

“The fact that the claimant was committing a criminal offence may, in some instances constitute a defence. This is usually expressed in the Latin maxim *ex turpi causa non oritur actio* (an action cannot be founded on a base cause) or more generally, ‘bad people get less’.....The problem is to determine when the claimant’s criminal conduct will defeat his claim, since the mere fact that the claimant’s behaviour is technically wrongful will not be sufficient. There must be some connection between the offence and the claimant’s damage.....In addition, the Court of Appeal has not stated that the defence of *ex turpi causa* is not limited to criminal conduct by the claimant but can also apply to immoral conduct (*Kirkham v. Chief Constable of the Greater Manchester Police* [1990] 3 All ER 246.....) It will be even more difficult to determine which forms of immoral conduct should give rise to the defence.”

50. Later talking about the conflict between illegality and immoral conduct, he continues:

“However, being able to reconcile the two approaches in this way may prove cold comfort if the full potential of the House of Lord’s decision in *Tinsley v. Milligan* [1993] 3 All ER 65 to reject them both (albeit in a contractual context) is ever realised. In *Tinsley v. Milligan* the House of Lords, by majority, allowed the plaintiff to assert her rights against the defendant under a trust of property that had been acquired fraudulently by her. In so doing, the court (self-evidently) rejected any application of a general rule that illegality automatically disqualifies a claimant’s claim and at the same time, also firmly rejected the public policy approach, preferring instead a test based on whether the claimant has to *rely* on the illegality.”

51. Later still he states:

“In *Cross v. Kirkby, The Times*, 5 April 2000, the Court of Appeal said that it was not for the defendant’s benefit that *ex turpi causa* applied, but because as a matter of policy the court would not assist a claimant because of his illegal conduct. Thus, there was no requirement that the claimant must either plead, give evidence of, or rely on his own illegality. *Ex turpi causa* applied when the claim was so closely connected or inextricably bound up with his own illegal conduct that the court could not permit him to recover without appearing to condone the illegal conduct. Arguably, this is the correct test since the purpose of *ex turpi causa* defence is to protect the integrity of the legal process by not being seen to assist claimants who suffer injury through serious breaches of the law.

52. Reference was also made to “*Kerly’s Law of Trade Marks and Trade Names*” (13th Edition) at paragraph 13-166 page 394 it states:

“Where the claimant uses the trade mark in aid of a fraudulent trade, the rule which bars his action is clear but even so, it may be proper to grant an injunction whose

purpose is to put an end to the fraud.”

53. From the above, I draw out the following general propositions:

- in principle, the defence of *ex turpi causa* could apply to a passing off action;

54. It may arise where:

- the opponent (claimant) is engaged in a criminal act; or
- engaged in immoral conduct where it would shock the conscience of the court or public;

55. But:

- there are problems in determining whether criminal conduct will defeat the claim;
- where it is immoral conduct, this task will be even more difficult;
- it may be that for it to apply, the opponent has to rely on his illegal conduct; *Tinsley v. Morgan*; or for his claim to be closely connected or inextricably bound up with his own illegal conduct that the court could not permit him to recover without appearing to condone the illegal conduct; *Cross v. Kirkby*.

56. With these considerations in mind I go on to consider the basis of the applicant’s defence.

Criminal Conduct?

57. In Mr Engelman’s submission, there is manifest evidence of criminality on the part of the opponents. Referring to the applicant’s amended counter-statement, Mr Engelman submitted that the activities or inactivity of the opponents constituted an offence under section 4(1)(b) of the Misuse of Drugs Act 1971, namely:

- by the use of the name CHINA WHITE which is a pseudonym for heroin and other drugs;
- by the decoration of the interior of the club in a style which promotes drug taking on the premises; and
- by the activities of servants or agents of the opponents in failing to discourage requests relating to drug use on the premises.

58. Section 4 of the Misuse of Drugs Act reads:

“Subject to any regulations under section 7 of this Act for the time being in force, it shall not be lawful for a person; to produce a controlled drug; or to supply or offer to supply a controlled drug to another.”

59. The applicant’s further evidence is relevant here. They provided evidence that CHINA WHITE is a slang term for certain drugs, chiefly a type of heroin. That use of the term CHINA WHITE may or may not be known to the general population. I was aware of it from my general knowledge prior to the hearing. Although the opponents disputed whether this

meaning was common knowledge amongst the general public, they did not dispute that it carries this meaning to some and I accept it as a fact.

60. Mr Engelman did not argue that there was any evidence of an offer to supply a controlled drug to another on the premises but that there was an incitement to supply a controlled drug. He referred me to the Criminal Division of the Court of Appeal's review on the question of incitement in *R v. Marlow* [1997] Crim LR 387. The case concerned a book which informed the reader how to grow cannabis. Mr Engelman argued that this case showed that the mere publication of a book which promoted the cultivation of cannabis was sufficient to amount to an incitement to commit an offence under the Misuse of Drugs Act. The judge's direction to the jury in that case was that the test for incitement was whether it was "capable of encouraging or persuading". This was considered safe by the Court of Appeal. He also referred me to *Invicta Plastics v. Clare* [1976] RTR 251, a case which concerned advertisements for a product which detected speed traps. The advertisement advised the reader that use of the machine was illegal. It was held that the magazine advertisement taken as a whole constituted an incitement to readers to commit an offence.

61. In Mr Engelman's view we have on the facts of this case an advertisement. The opponents' use of the term CHINA WHITE for a nightclub was tantamount to having the word HEROIN placed above the door. As such, it was in his view capable of encouraging or persuading others to commit an offence of offering to supply or to supply heroin or another controlled drug. Further, he made reference to section 8 of the Misuse of Drugs Act. This reads:

"A person commits an offence if, being the occupier or concerned in the management of any premises, he knowingly permits or suffers any of the following activities to take place on those premises, that is to say-

- (b) supplying or attempting to supply a controlled drug to another in contravention of section 4(1) of this Act, or offering to supply a controlled drug to another in contravention of section 4(1);"

62. Relying on the authority of *Grays Haulage v. Arnold* [1966] 1 WLR 534, Mr Engelman submitted that the words "knowingly permits" did not require actual knowledge. Merely shutting one's eyes to the obvious or allowing something to go on and not caring whether an offence was committed or not, would suffice. The use of the name CHINA WHITE for the club, the manner in which it was decorated which had been described in the press as an "opium den" and "A louche opium den ambience", was, in his view, an expressed and disclosed intention to promote the club with the trade mark CHINA WHITE which has a clear criminal misconduct associated with it.

63. These are very serious allegations that the applicant has made against the opponents. What is the evidence before me? As noted above, I accept that CHINA WHITE is a slang name for heroin although I also accept Mr Holah's position that this may not be known to all. The applicants' evidence refers to a conversation with an Inspector Wotton of the Metropolitan Police. This is contained in the evidence of Mr Bilewycz. It is hearsay but in any case, as Mr Holah noted, it does not tell me very much. Mr Wotton, on being told of the

club by the name CHINA WHITE, is stated to have said that it was not an appropriate name for a club or a drink. In Mr Keegan's evidence in reply, he notes that the club CHINAWHITE has had its licence renewed three times without any objection from the council or the police. Mr Keegan also states in his evidence that in the 38 months since the club opened, they have never had a complaint from the police.

64. I also have the evidence of Mr Gowlett's visit to the club. With due respect, I do not find his evidence to be of much assistance and I did not understand Mr Engelman to place too much reliance on his evidence. His account of his visits to the toilets in the club tell me nothing. Further, as Mr Holah pointed out, what can I take from the fact that he spoke with three members of staff about drugs who all refused to talk to him about the subject? Mr Holah does not resile from the fact that there are sometimes drug problems in nightclubs but in his submission his clients are doing all they can to prevent this and do not knowingly permit drug use to take place on their premises. On the contrary, he refers to the evidence of Mr Keegan where he states that the club has an active policy of preventing drug use on the premises. He argues that if they were not, then the club would be closed by the police as with the example of the club referred to in paragraph 15 of Mr Keegan's second witness statement.

65. In my view, Mr Engelman's case stands or falls on the issue of use of the name and the way in which the club is promoted through its decor etc. The fact that the club is called CHINAWHITE, does not in my view incite, encourage or persuade anyone to supply or attempt to supply heroin or any other controlled drug, nor can their operation of a nightclub by that name and with their decor, be taken to be "knowingly permitting" the supply of a controlled drug. There is no evidence that they are inciting such activity, allowing the supply or attempt to supply of controlled drugs to take place on their premise with their knowledge or that they are shutting their eyes. There is in my view, no question of me finding on the evidence before me, that any criminal offence has been committed by the opponents and this part of the applicant's defence is dismissed.

Immorality

66. This line of defence appeared to take Mr Holah by surprise. He pointed out that the amended counterstatement at paragraph 5 refers to the opponents acting ".....illegally/criminally". As such, he argued that if illegality/criminality was not shown, it was not open to the applicant to argue that the opponents' conduct was, in the alternative, immoral. I think that the counter-statement could have made the position clear, however, I invited Mr Holah to address me on the application of the defence and he did so.

67. Mr Engelman referred to the same factors as those listed above under criminality. However, in his view, he did not have to go so far to show immorality, it was sufficient that the opponents called their nightclub CHINAWHITE. Mr Engelman referred me to the decision of Mr Justice Rattee in *French Connection Ltd v. Sutton* [2000] ETMR 360. This case concerned the use of the letters FCUK as a trade mark. Commenting on the submissions of counsel for the defendant that a public policy argument arose, Mr Justice Rattee stated:

"Finally, I should mention that Mr Turner also relied as another reason for saying there should be a trial of this action on a so-called public policy point. This argument seemed

to me to be very much a case of the pot calling the kettle black. However, it was Mr Turner's argument that there is a public policy issue in this case as to whether or not, having regard to what, according to the evidence of the complaints to the Advertising Standards Authority a number of people have considered was the distasteful nature of the claimant's advertising campaign, it is right for the court to lend its aid to the claimant to protect any goodwill obtained by it from use of the FCUK advertising campaign. Mr Turner pointed out that apparently at the trial of the action the court will be concerned inter alia to consider a counterclaim which has been made for revocation of the registration of the trade mark FCUK in the name of the claimant, and that one issue the court will have to consider on that question is whether or not registration ought to have been refused by the Registrar of Trade Marks on the grounds that such registration would offend public policy. Mr Turner submitted that a similar question should at any rate be considered by the court in relation to the passing off claim before granting relief, and that, if it is going to be considered at a trial in any event on the trade mark claim, there is every good reason why the same point should be open for consideration on the passing off claim which, of course, it would not be if I gave summary judgment on that claim here and now.

As I have said, I do not find the public policy argument an attractive argument in the mouth of the defendant in this case, having regard to the fact that he has clearly sought to take advantage, if that is the right word, also of the tasteless implications in the use of the letters FCUK, but I do think there is some force in the point that if that issue has to be considered as to whether the trade mark registration should be revoked, it could be said that there is a good reason for the same issue being considered at a trial of the passing off action. But I do not base my conclusion on that point so much as on the overall failure, in my judgment, on the part of the claimant to satisfy the court on the evidence presently before it that the defendant has no real prospect of successfully defending the passing off claim.

As I have said, I express no view, and should be taken as expressing no view, as to what the likely outcome of a trial would be, but I do not consider that this is an appropriate case in which to give summary judgment and I shall dismiss the application.”

68. Mr Justice Rattee in his decision makes a comment concerning the attempt by the defendant to use this defence to protect his own use of the letters FCUK. Mr Engelman described it as a pot calling the kettle black scenario. It could be said that this applies here, however, in Mr Engelman's view it did not. He sought to draw a distinction between use of a word such as CHINA WHITE for nightclub services and the use of CHINA WHITE for a drink. He compared the use of the term for a drink to the use of POISON or OPIUM for a perfume where the informed consumer would not and does not consider that those products contain the labels applied to them. But, when CHINA WHITE is applied to a nightclub, those consumers would in his view understand what CHINA WHITE means, and what the opponents were trying to get across. When considering what might be considered to be immoral, Mr Engelman referred to the passage in *Kerly's* commenting on section 3(3)(a) of the Act. This provides that a trade mark shall not be registered if it is contrary to public policy or accepted principles of morality. In *Kerly's* the relevant passage states:

“Some useful guidance is given in the [Trade Mark Registry] Work Manual. It suggests that marks which encourage or promote drugs, counterfeiting, pornography, criminal activity, and the like would be refused under this provision as being contrary to public policy.”

69. Mr Engelman acknowledged that the consideration of whether a mark should be denied registration under this provision was not the same as the consideration considered for an *ex turpi causa* defence but nevertheless, the promotion of drugs is an immoral act.

70. As stated above, it seems to me that given the right facts, this defence may apply. However, whilst the use of drugs may well be considered immoral, for the same reasons as those listed above, I cannot in my view find on the basis of the evidence before me, any immoral conduct on the part of the opponents in running a nightclub under the name CHINAWHITE. I accept Mr Engelman’s submissions that such a mark may or may not face difficulties in achieving registration; section 3(3)(a), but that is not a question that is before me. I must consider whether it is right to refuse to recognise and uphold, any goodwill or reputation the opponents may enjoy in the trade mark CHINAWHITE on the basis that their use of the mark is immoral or encourages immoral conduct. I cannot in my view find that the naming of a club, CHINAWHITE, nor the way in which it is decorated, could be taken to be encouraging drug use. Again, I did not find the evidence of Mr Gowlett to be useful or to be of any probative value. As such, I find that this part of the applicant’s defence also fails and is dismissed.

Section 5(4)(a)

71. 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 opposition proceedings, the three elements that must be present can be summarised as follows:

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

72. Assuming notional and fair use, I must assess whether use of the applicant’s mark, CHINA WHITE, was as at the date of application, liable to be prevented by the law of passing off. The onus is on the opponents to show that their ground of opposition is made out.

Goodwill and Reputation

73. The first element set out above is that the opponents' goods or services have acquired a goodwill or reputation. The opponents seek to rely on their goodwill and reputation in their nightclub CHINAWHITE and also in the cocktail CHINAWHITE which they state was on sale at their premises. Mr Engelman for the applicant, argued that whilst the evidence filed by the opponents might be sufficient to show that they had a reputation for a nightclub at the relevant date, it did not go anywhere near establishing a reputation in the cocktail. I believe that Mr Holah accepted that, on the evidence, he faced a greater struggle in seeking to show that his clients had a reputation for the cocktail. Further, although I understood Mr Engelman to accept that there was a reputation in the nightclub, this reputation was, in his view, limited both in terms of the length of use and also the number of clients who could have used or heard of the club before the relevant date.

74. The issue of evidence before the registrar in proceedings under section 5(4)(a) has recently been the subject of comment in an appeal to the High Court. Mr Justice Pumfrey in *South Cone Inc v. Jack Bessant and others (t/a Reef)* [2002] R.P.C. 19 stated:

“12.....As Mr Hobbs QC said in *Wild Child TM* [1998] R.P.C. 455, the registrar is often required to act upon evidence that might be regarded as less than perfect when judged by the standards applied in High Court proceedings. The second question follows: how cogent must the evidence be upon which the registrar should act in upholding an opposition on this ground?

13. There is one major problem in assessing a passing off claim on paper, as will normally happen in the registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the registrar is entitled to be presented with evidence which at least raises a *prima facie* case that the opponent's reputation extends to the goods comprised in the applicant's specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under s 11 of the 1938 Act (see *Smith Hayden (OVAX)* (1946) 63 RPC 97 as qualified by *Bali* [1969] RPC 472. Thus the evidence will include evidence from the trade as to reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on.

14. Evidence of reputation comes primarily from the trade and the public and will be supported by evidence of the extent of use. To be useful, the evidence must be directed to the relevant date.....”

75. Given this passage, it seems to me that both parties were correct to make the limited concessions that they did. Mr Holah was correct to accept that his evidence of reputation and goodwill in the cocktail itself was considerably weaker than the evidence of his clients' reputation and goodwill in their business as a nightclub. The evidence claims use of the mark CHINAWHITE on the cocktail from December 1998. However, this is not supported by evidence showing the use and manner of use of the mark. I have no way of knowing how the mark was presented to the public. For example, I note that Mr Gouty commenting on the drink's popularity states that this was despite the fact that it did not appear on the drinks

menu. Although I have detailed figures for sales of the cocktail in the few weeks before the date of application, I cannot extrapolate back and assume that the level of use has been constant. Absent more detailed evidence on this point, I am not willing to infer that the opponents enjoyed a reputation and goodwill in the CHINAWHITE cocktail as at the relevant date.

76. As noted above, whilst the applicant was willing to accept that the opponents enjoyed a reputation as a nightclub, this reputation was limited because, as at 19 March 1999, the opponents had only been in business for a few months. Mr Holah took me through the opponents' evidence pointing out that the nightclub CHINAWHITE had received massive publicity in newspapers, magazines and through the celebrities who had visited the club. I must compliment the opponents on the breadth and quality of their evidence on this point. There were numerous examples of the nightclub CHINAWHITE being mentioned in various press articles from November 1998 through to the date of application. Circulation figures for some of these are also provided and these were helpful. Mr Engelman was critical of this evidence arguing that the fact that the nightclub was mentioned in the press did not lead to the conclusion that the club enjoyed a reputation or goodwill. I can see the logic in his argument. Some of the articles merely mention the name CHINAWHITE in passing. Some articles are not about CHINAWHITE but the celebrity who has spent the evening there. In his view, their reputation and goodwill would be more limited and be amongst those who have been fortunate enough to attend a party or evening at CHINAWHITE. However, not all the articles are merely celebrity watching, some specifically refer to the nightclub CHINAWHITE in sections devoted to places to see and be seen in London.

77. The number of articles submitted in evidence is very impressive. These are not local papers, they include "The Sun", "The Sunday Times", "The Times", "The Independent" "The Daily Mail", "The Daily Telegraph", "The Mirror" as well as the "Evening Standard". In addition to this coverage, we have the magazine articles. All of this coverage, would in my view have done more than establish a reputation amongst those who have visited the club CHINAWHITE. It seems to me that such consistent presence in the press, including articles which make it clear that a celebrity has attended the nightclub "CHINAWHITE", and those that are specifically about the club, would have resulted in a wider reputation and goodwill for the nightclub CHINAWHITE.

Misrepresentation

78. Mr Hobbs, in the *Wild Child* case mentioned above, referred to *Halsbury's Laws Of England*. The relevant passages taken from the 4th Edition 2000 reissue at paragraphs 316-320 read as follows:

"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 claimant 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 claimant 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.

The question whether deception or confusion is likely is one for the court which will have regard to:

- (a) the nature and extent of the reputation relied upon;
- (b) the closeness or otherwise of the respective fields of activity in which the claimant and the defendant carry on business;
- (c) the similarity of the mark, name etc. used by the defendant to that of the claimant;
- (d) the manner in which the defendant makes use of the name, mark etc. complained of and collateral factors; and
- (e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.

In assessing whether 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."

79. The passage notes that whilst the first two elements appear to be two separate hurdles they are in fact inter-related. It seems to me that the question that I must answer is as follows:

Having regard to the goodwill and reputation found in the trade mark CHINAWHITE for nightclub services, amongst the relevant public, will those persons mistakenly infer from the applicant's use of the mark CHINA WHITE on the goods for which registration is sought, that they are provided by the opponents or are connected?

80. I must assume notional and fair use across the specification for which registration is sought. In answering that question I take into account the factors listed above.

81. What is the nature of the reputation relied upon and what is the closeness or otherwise of the respective fields of activity? I have already decided that the opponents have a reputation in the mark and this will be amongst the public at large. The applicant's specification is not in the same field. The applicants' seek protection for various alcoholic and non-alcoholic beverages.

82. It would be fair to say that this issue occupied most of Mr Engelman's submissions. In his view, I could not find the necessary misrepresentation on the facts of this case, absent some

special evidence directed to establishing misrepresentation between a nightclub and alcohol/non-alcoholic beverages. There was no common field of activity and without that there could be no misrepresentation.

83. I challenged Mr Engelman on this point. I put it to him that a common field of activity was no longer a prerequisite for misrepresentation in passing off but was one of the factors to take into account when deciding whether the necessary misrepresentation had been shown. Here the applicants have not used the mark and so I must consider whether, assuming such use, misrepresentation would occur. Mr Engelman argued that the case law indicates that only in exceptional circumstances and based on the basis of specific evidence directed to that issue, could I make a finding of misrepresentation. He referred me to the relevant passage of *Kerly's* at paragraph 14-75 it reads:

“14-75 There is no rule that the defendant must operate in the same field of activity as the claimant. However, this does not mean an examination of their respective fields of activity is irrelevant. The more remote the activities of the parties, the stronger the evidence needed to establish misrepresentation and the real likelihood of damage that are pre-requisites of a right of action in passing off.....

14-76 It may be said generally that establishing passing off by goods in which the claimant does not trade calls for special evidence to establish that the defendant's actions will induce the belief, if not that his goods are those of the claimant at least that his business is an extension of or somehow connected with that of the claimant or his goods somehow approved or authorised by the claimant. Where the fields of activity of the parties are different, the burden of proving that the defendant causes real likelihood of damage to the claimant is a very heavy one.”

84. This extract seems to show that the respective fields of activity are a factor to be taken into account. It indicates that “generally” special evidence will be required. That will not always be so, where the fields of activity are more remote then the stronger the evidence the opponents will have to file to show the necessary misrepresentation. Conversely, where the fields are close, it may be that the connection or association between the fields will be self evident.

85. That said, adopting this approach, it seems to me that although it could be said that nightclubs serve alcoholic and non-alcoholic beverages this is merely a superficial link. I agree with Mr Engelman, that absent a clear link between the two fields, it is for the opponents' to show that the necessary misrepresentation would occur if the applicant was to use the mark on the goods the subject of the application. There is some evidence from the opponents to show that nightclubs and other establishments sometimes have “house cocktails” named after the establishment and that these appear on their drinks menus and are served on the premises. However, there is nothing in the evidence to show that nightclubs or other establishments provide such beverages outside their own establishments to the public at large.

86. Another factor to consider is the similarity of the marks in question. Although the applicants' mark is CHINA WHITE and the opponents state that their use is of the trade mark CHINAWHITE, others reporting on the club refer to variants such as CHINA WHITE and

CHINA WHITES. On any view, it seems to me that there is a high degree of similarity if not identity between the marks. In oral use they are identical. Where the marks are identical or very similar, then it seems to me reasonable to infer that where the goods or services offered under the same mark are similar or associated, the average consumer is more likely to infer that the goods originate from the same source.

87. I must also take into account the manner in which the applicants' have used the mark. However, in this case, there is no evidence as to how or even whether the applicants' trade mark has been used before the date of application. The relevant public will be the general public at large.

Conclusions on the question of misrepresentation

88. Taking account of all these factors, and the fact that the marks are identical or closely similar, it seems to me that the average consumer, aware of the name CHINAWHITE used in relation to nightclub services on seeing the applicant's mark CHINA WHITE on alcoholic and non-alcoholic beverages would not believe that those goods came from the opponents or were linked to the opponents. It seems to me that absent evidence on the point, the goods and services in question, beverages and nightclub services, are too removed from one another such that the average consumer would not make the necessary connection.

Damage

89. As I have not found misrepresentation then I need not go on and consider the question of damage. However, if I am wrong on the question of misrepresentation then in my view damage would follow. Where there is goodwill in a sign and another uses an identical or closely similar sign such that there is a misrepresentation then damage can be inferred. Use of the trade mark on those goods would not be under the control of the opponents and any such use could damage their goodwill and reputation.

Conclusions under section 5(4)(a)

90. Therefore, I reach the view that the opponents' ground of opposition under section 5(4)(a) has not been made out and it falls to be dismissed.

Section 3(6)

91. As with the objection under section 5(4)(a), the onus is on the opponents. It is for them to show that the applicant, Mr Harrison, made the application in bad faith. Mr Engelman argued that the statement of case had not set out the allegation of bad faith adequately enough for his clients to defend themselves. Mr Holah acknowledged that it was not perfect but pointed out that it had been filed sometime ago, before the registry had started to scrutinise pleadings. The allegation reads:

“The mark applied for has been filed in bad faith as the applicant was aware of the opponents' prior use of the sign in relation to the goods and services as outlined in paragraph 2 above, and registration of the mark applied for would be contrary to the

provisions of section 3(6) of the Trade Marks Act 1994.”

92. Mr Engelman suggested that it was only on receipt of the opponents’ skeleton that the true allegation became clear. That Mr Harrison was aware of facts that would lead to a finding that his filing of the application in his own name was not the act of a man behaving in accordance with honest commercial practises. Whilst the statement of grounds as worded is not at all clear, I accept Mr Holah’s argument that the pleadings and the evidence taken together could have left the applicant in no doubt that the allegation of bad faith concerned the ownership of the mark in question. One of the applicant’s requests to file further evidence was on the basis of the seriousness of the allegation under section 3(6).

93. A number of cases from the High Court and Appointed Person have commented on the application of this section and I was referred to a number of them by both representatives. In particular, there is the often quoted statement of Mr Justice Lindsey in *Gromax Plasticulture Ltd v. Don & Low Nonwovens Ltd* [1999] R.P.C. 367 at page 379. The relevant passage is cited in a decision of Mr Geoffrey Hobbs Q.C., *Demon Ale Trade Mark* [2000] R.P.C 345, where he stated:

“I do not think that section 3(6) requires applicants to submit to an open-ended assessment of their commercial morality. However, the observations of Lord Nicholls on the subject of dishonesty in *Royal Brunei Airlines Sdn Bhd v. Philip Tan* [1995] 2 A.C. 378 (PC) at page 389 do seem to me to provide strong support for the view that a finding of bad faith may be fully justified even in a case where the applicant sees nothing wrong in his own behaviour.

In *Gromax Plasticulture Ltd v. Don & Low Nonwovens Ltd* [1999] R.P.C. 367 Lindsay J. said (page 379):

“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.”

These observations recognise that the expression "bad faith" has moral overtones which appear to make it possible for an application for registration to be rendered invalid under section 3(6) by behaviour which otherwise involves no breach of any duty, obligation, prohibition or requirement that is legally binding upon the applicant. Quite how far the concept of "bad faith" can or should be taken consistently with its Community origins in Article 3(2)(d) of the Directive is a matter upon which the guidance of the European Court of Justice seems likely to be required: *Road Tech Computer Systems Ltd v. Unison Software (U.K.) Ltd* [1996] F.S.R. 805 at pages 817,

818 *per* Robert Walker J.

In the present case the objection under section 3(6) related to the applicant's breach of a statutory requirement. Section 32(3) of the Act required him to be a person who could truthfully claim to have a bona fide intention that DEMON ALE should be used (by him or with his consent) as a trade mark for beer. His application for registration included a claim to that effect. However he had no such intention and could not truthfully claim that he did. That was enough, in my view, to justify rejection of his application under section 3(6)."

94. Mr Holah took me to the extract from *Royal Brunei* referred to above, at page 389. Commenting on dishonesty, the Privy Council stated:

"Honesty, indeed, does have a strong subjective element in that it is a description of a type of conduct assessed in the light of what a person actually knew at the time, as distinct from what a reasonable person would have known or appreciated. Further, honesty and its counterpart dishonesty are mostly concerned with advertent conduct, not inadvertent conduct. Carelessness is not dishonesty. Thus for the most part dishonesty is to be equated with conscious impropriety. However, these subjective characteristics of honesty do not mean that individuals are free to set their own standards of honesty in particular circumstances. The standard of what constitutes honest conduct is not subjective. Honesty is not an optional scale, with higher or lower values according to the moral standards of each individual. If a person knowingly appropriates another's property, he will not escape a finding of dishonestly simply because he sees nothing wrong in such behaviour.

In most situations there is little difficulty in identifying how an honest person would behave. Honest people do not intentionally deceive others to their detriment. Honest people do not knowingly take other's property. Unless there is a very good and compelling reason, an honest person does not participate in a transaction if he knows it involves a misapplication of trust assets to the detriment of beneficiaries. Nor does an honest person in such a case deliberately close his eyes and ears, or deliberately not ask questions, lest he learn something he would rather not know, and then proceed regardless....."

95. Mr Engelman took me to a decision of Mr Simon Thorley, Q.C., sitting as the Appointed Person in *Eicher Limited Royal Enfield Motor Units v. David Matthew Scott Holder T/A Velocette Motorcycle Co* (SRIS O/363/01), where he stated:

"31. An allegation that a trade mark has been applied for in bad faith is a serious allegation. It is an allegation of a form of commercial fraud. A plea of fraud should not lightly be made (see Lord Denning M.R. in *Associated Leisure v. Associated Newspapers* (1970) 2 QB 450 at 456) and if made should be distinctly alleged and distinctly proved. It is not permissible to leave fraud to be inferred from the facts (see *Davy v. Garrett* (1878) 7 Ch. D. 473 at 489). In my judgment precisely the same considerations apply to an allegation of lack of bad faith made under section 3(6). It should not be made unless it can be fully and properly pleaded and should not be

upheld unless it is distinctly proved and this will rarely be possible by a process of inference. Further I do not believe that it is right that an attack based upon section 3(6) should be relied on as an adjunct to a case raised under another section of the Act. If bad faith is being alleged, it should be alleged up front as a primary argument or not at all.”

96. Mr Engelman contends that his client Mr Harrison has acted innocently throughout in adopting the mark CHINA WHITE. Both parties filed evidence setting out their version of events, the evidence from the two parties is not necessarily contradictory. There are two factors that make my determination under this section difficult. The case concerns bad faith, where the knowledge or otherwise of the applicant is an important factor, yet there was no request to cross-examine Mr Harrison on his evidence. As he has not been cross-examined on his evidence I must, so far as the evidence is not contradicted by the other side, accept that his evidence is true. Equally, Messrs Keegan and Gouty and the opponents’ other witnesses were not cross-examined on their evidence.

97. The second factor is the absence, from either party, of any evidence from the chief player in the matter, Mr Matt Rymer. Mr Holah is of the view that the lack of any evidence from Mr Rymer is a telling factor against the applicant. Mr Engelman is of the view that it is for the opponents to prove their case and the lack of evidence from Mr Rymer does not weigh against his client. Mr Engelman is right but that said, it is a pity that the one person who could have provided much needed illumination on the issues before me has not given evidence in these proceedings. That being the case, what does the evidence tell me? On the basis of the evidence before me I make the following findings:

98. In relation to the development of the cocktail I find that:

- in August 1999, Rory Keegan and Patrice Gouty discussed the need for a signature or house cocktail to be called CHINAWHITE to be served at their nightclub CHINAWHITE;
- Matt Rymer and Arnold de Fort were employed at the CHINAWHITE nightclub as Bar Manager and Assistant Bar Manager respectively;
- in early October 1999, Messrs Keegan and Gouty instructed Matt Rymer, as part of his duties, to develop a recipe for a cocktail to be called CHINAWHITE;
- Matt Rymer was given some directions as to the drink; white in colour; oriental in flavour;
- Matt Rymer and his team including Arnold de Fort worked on developing the cocktail;
- it was a team effort with Arnold de Fort coming up with the fruit juices to be included in the drink;
- in early December the drink was produced for Mr Gouty to taste- he liked it;
- from early December they started selling the drink in the club under the name CHINAWHITE;
- soon after the drink went on sale Matt Rymer was informed that when the opponents came to bottle and exploit the drink he would be rewarded with bonus payments - no discussion took place as to the basis on which such a reward would be made;

99. In respect of the Confidentiality Agreements I find that:

- the agreements are all dated 21 December and concern “Cocktail Development Product”;
- the letter dated 23 December enclosing the confidential information refers to the cocktail currently known as CHINA WHITE;
- the agreements are between Matt Rymer and Arnold de Fort and Messrs Rossi, Nguyen and Turlais - three staff who were at the time employed by at CHINAWHITE as bar staff;
- Messrs Rossi and Turlais who are still employed at CHINAWHITE, state in witness statements that they signed the agreements thinking that it was part of their contract and to protect the recipe of the cocktail;
- they knew the cocktail was to be called CHINAWHITE which was an obvious name for the club cocktail;
- Arnold de Fort thought that by making the other bar staff sign the confidentiality agreement he was protecting his employer;
- Arnold de Fort did not believe that he would own the cocktail or the name, he states, “At no point did I think I was going to have ownership of the cocktail or the name of the cocktail. This would never have occurred to me, as we were obviously creating the cocktail as part of our employment with Teton”;
- whilst reference is made to the name CHINA WHITE, the agreement covered the recipe for the cocktail.

100. In respect of Mr Harrison, I find that, he was approached by Matt Rymer in November 1998. Mr Rymer told him the following:

- he had developed a premium cocktail called CHINA WHITE;
- a derivative of the drink was to be served at a new venue to be called CHINA WHITE to be opened in December 1998;
- he would be working at CHINA WHITE as a barman;
- he was not bound by the terms of any formal contract;
- he prepared the drink for Mr Harrison to taste at around the end of November 1998

101. As a result, I find that:

- Mr Harrison believed that the drink was under the sole proprietorship of Matt Rymer;
- a working title of CHINA WHITE was chosen;
- Trade mark and company searches were carried out and applications filed for CHINA WHITE LIMITED and the trade mark CHINA WHITE in classes 32 & 33; no application was made in class 42 because Mr Harrison had become aware of the opponents’ club;
- Matt Rymer was co-director of China White Limited but is now only a consultant to the company.

102. As noted above, these two versions of events are not inconsistent. On the basis of the evidence before me, I find that the opponents have shown that Matt Rymer and others in their employment at the time were told to develop a cocktail to be called CHINAWHITE which was to be served at the opponents’ nightclub. This was as part of their employment. As such, I find that the idea to use CHINAWHITE as the name for the cocktail was that of the

opponents. There is no evidence from Mr Rymer to contradict this. He is the only person who could have provided a different version of events. That is not to say that I question Mr Harrison's evidence. I accept that Matt Rymer represented to Mr Harrison that he, Matt Rymer, was the sole proprietor of the name and recipe, but on the evidence before me that was not in fact the case.

103. Whilst, Mr Rymer's bad faith is not strictly an issue before me, I think that his actions and the facts that lay behind them are important. He is the vital link between the opponents and the applicant. I cannot in my view consider the actions of Mr Harrison without considering the actions of Mr Rymer. Whilst I can only take a view on the evidence before me, and that evidence is incomplete since I do not have any evidence from Mr Rymer himself, I can state that if the applicant had been Mr Rymer or if the applicant was a company of which Mr Rymer was a director (or co-director) I would, on the basis of the evidence before me, have had no hesitation in finding that the application for this trade mark was made in bad faith. It seems to me that Mr Rymer was aware of his employer's interest in the name CHINAWHITE as a nightclub, he had been instructed to develop a cocktail of that name for use in that club, he was aware that the opponents intended to exploit the drink further by bottling it.

104. Even if he believed that the drink and name belonged solely to him, that was not the case. I have the applicant's own evidence that the drink was the result of a collaboration with at least one other person, Mr de Fort, and from the opponents' evidence, possibly others (Mr Gouty). Mr de Fort's name is alongside Mr Rymer's on the confidentiality agreement that the other bar staff were required to sign. They agreed to keep the confidence disclosed to them by Mr Rymer and Mr de Fort. Even if the drink and name did not belong to the opponents, it was not in the sole proprietorship of Mr Rymer.

105. Mr Engelman points out that the opponents were proposing to reward Mr Rymer with a bonus payment when the drink was exploited. This in his view shows that the opponents believed that the drink was Mr Rymer's to exploit and that he had proprietorship in it. I do not find that this action shows anything of the sort. Why, if the opponents believed that it was open to Mr Rymer to exploit the drink would they offer him a bonus? It is perfectly reasonable in my view, for an employer to reward an employee who has come up with a new idea or product that has proved popular, with a bonus payment. There is nothing unusual in this.

106. I need say no more about Mr Rymer, what then of the allegation that Mr Harrison made the application in bad faith? I have already found that Mr Harrison was told by Mr Rymer that the drink and name were his to exploit. Taken at face value, and without further evidence, that should lead to a finding that there was no bad faith on the part of Mr Harrison. He filed the application believing that his friend Mr Rymer owned both the recipe and the name CHINA WHITE for cocktails. Absent cross-examination I could have come to no other view on the evidence. From the evidence, I also find that at the date he made the application, he saw nothing wrong in his own behaviour.

107. However, although I have dealt with Mr Harrison's actual state of mind when he made the application, that is not an end of the matter. From the authorities it seems clear to me that a finding of bad faith may be fully justified even in a case where the applicant sees nothing

wrong in his own behaviour.

108. I am informed by Mr Harrison's own evidence that he was aware that Mr Rymer had developed a new cocktail to be called CHINA WHITE; that a derivative of this cocktail was to be served at a new venue also to be called CHINA WHITE; and that Mr Rymer was working there as a barman. Mr Harrison also presents the confidentiality agreements as proof that Mr Rymer owned the name and recipe. I have already found that they do not show this. Firstly, they relate to the recipe for a drink which happens to be called CHINA WHITE, they do not relate to the name of the drink itself. Secondly, I have Mr de Fort's evidence stating that he thought that they were for the benefit of his employer. Even if they were not, they show that the confidential information, the recipe, was at least held jointly by Mr Rymer and Mr de Fort.

109. At the hearing, I understood the opponents to argue that I should discount the agreements as there was nothing to indicate that Mr Harrison was aware of them at the date of the application, the applicants argued that Mr Harrison was aware of these confidentiality agreements when he made the application. However, his evidence is not clear on this point. He introduces the document in his evidence in support of his position that Mr Rymer owned the name and recipe but he does not state, "I was aware of these confidentiality agreements before I made the application." Without a statement from Mr Harrison either way, I cannot make any finding or make any inference as to when he first became aware of these agreements, as such, they are of no value to me.

110. Therefore, the position based on the evidence, is that Mr Harrison was informed by Mr Rymer that he was the proprietor of the mark, however, Mr Harrison was aware of a number of background facts concerning Mr Rymer and his relationship with the opponents when he made the application. The question it seems to me is: Having regard to those background facts, would the filing of a trade mark application in Mr Harrison's own name amount to dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined?

111. If Mr Harrison had been aware of the circumstances in which Mr Rymer was instructed to develop the drink then clearly in my view, the filing of the application would have been in bad faith. As noted, on the evidence before me Mr Rymer was not entitled to make an application and it seems to me that had he been aware of those facts, the same would have applied to Mr Harrison. Mr Rymer had no title to the trade mark and he could not have passed on a better title to Mr Harrison. However, that is not the case here, Mr Harrison was not aware of all the circumstances.

112. Taking account of the facts of which he was aware, should Mr Harrison have accepted Mr Rymer's assurances at face value? Was that the action of a reasonable and experienced men in the particular area being examined? I think that the answer to both these questions must be no.

113. Mr Engelman, referring to the decision of Mr Thorley, noted that an allegation of bad faith was a serious allegation. Mr Thorley commented that it should not be upheld unless it has been distinctly proved and this will rarely be possible by a process of inference. It seems to me that Mr Thorley acknowledged that whilst it will be rare for bad faith to be inferred from the facts it is not impossible for such a finding to be made on the basis of inference.

Where there are a number of facts on which there is no dispute, it seems to me that a Hearing Officer may take account of those facts together and in so doing may reach a conclusion by reasoning from the evidence.

114. In my view, that is the case here. I have before me a number of facts from the applicant's own evidence that allow me to find that the application was made in bad faith. Mr Harrison states he was aware of the fact that Mr Rymer was a barman at a club to be called CHINA WHITE, that he had developed a drink called CHINA WHITE, a derivative was to be served at the club when it opened. These three facts should in my view, have led a reasonably informed business man in the relevant field to question Mr Rymer further about his assertions and to make further enquiries. He should not have "deliberately not asked questions, lest he learn something he would rather not know and then proceed regardless"; *Royal Brunei*. It was not sufficient in my view to have carried out a search of the Companies register and the Trade Marks register. As Mr Harrison himself acknowledges, he did not file an application for nightclub services because he was aware of the opponents' use of the name CHINA WHITE in that field.

115. Taking all these facts together, I find that in filing the application for the trade mark CHINA WHITE for goods in classes 32 and 33, Mr Harrison fell short of the standards of acceptable commercial behaviour observed by reasonable and experienced man in the particular area being examined. **The application was filed in bad faith and the opponents' ground of objection under section 3(6) is made out.**

Consequences of Decision

116. **The opponents' ground under section 5(4)(a) is dismissed, but they have succeeded in their objection under section 3(6) of the Act and the application will be refused.**

Costs

117. There were two interlocutory hearings before me prior to the main hearing and a number of issues that the parties wished to raise with regards to costs. It was agreed that the issue of costs would be the subject of written submissions made after my decision was issued. Therefore, I will give one month from the date of my decision for the submission of written submissions on the subject of costs. I presume in the absence of further submissions on this point that there should be simultaneous exchange of such written submissions with the other party.

Dated this 02 day of August 2002

**S P Rowan
For the Registrar
the Comptroller General**