

O-432-10

**TRADE MARKS ACT 1994**

**IN THE MATTER OF APPLICATIONS NO. 2451353, 2454584 & 2454586  
IN THE NAME OF THE BEAL GROUP LIMITED  
TO REGISTER THE TRADE MARKS  
TERRAIN, CRACKWAX AND CLASSIC WAX IN CLASS 24**

**AND**

**OPPOSITION THERETO UNDER NOS 95576, 96594 AND 96712  
IN THE NAME OF J T INGLIS AND SONS LIMITED**

## **Trade Marks Act 1994**

**IN THE MATTER OF Applications No. 2451353, 2454584 & 2454586  
in the name of The Beal Group Limited  
to register the Trade Marks TERRAIN, CRACKWAX, CLASSIC WAX  
in Class 24**

**And**

**Opposition thereto under Nos 95576, 96594 and 96712  
in the name of JT Inglis & Sons Limited**

### **BACKGROUND**

1. On 31 March 2007, The Beal Group Limited made an application to register the trade mark TERRAIN. On 4 May 2007, The Beal Group Limited made two further applications to register the trade marks CRACKWAX and CLASSIC WAX. These applications were all made in Class 24 in respect of the following specification of goods:

Textiles and textile goods; textiles for making articles of clothing; coated textiles; tags of textile for attachment to clothing; adhesive fabrics; apparel fabrics; waterproof fabrics; all included in Class 24.

2. On 18 October 2007, 11 March 2008 and 28 March 2008, JT Inglis & Sons Limited filed notice of opposition to the applications, the grounds of opposition, in summary, being as follows:

**Under Section 5(4)(a)** by virtue of the law of passing off.

**Under Section 3(6)** because the applications were made in bad faith.

Specifically, the company formerly known as JT Inglis & Sons Ltd has been trading since 1917 (“the Former Company”). In 2006 Administrators were appointed to the Former Company.

Our client formerly incorporated as Catlelaw (No 676) Limited and now known as JT Inglis & Sons Ltd agreed to purchase the assets of the Former Company in January 2007. The assets included an Assignment dated 20 July 2007 of all intellectual property owned by the Former Company, together with all unregistered trade marks. This included, but is not limited to the unregistered trade mark “Copram”, as used by the Former Company since the late 1940s and the “Terrain” mark, used by the Former Company for over a year. A copy of the Assignment is included.

The Applicant, Mr David Beal, was a director of the Former Company. This is confirmed by the extracts from the Companies house records that confirm David Beal's position as a director of the Former Company (now known as JTI Realisations Limited) and a current director of the Applicant.

The Applicant operates in the same trade and in direct competition to our client who operates in a highly specialised business creating waterproof material and tarpaulins. Mr Beal has an explicit and express knowledge of the business, trade names and marks used by the Former Company and subsequently purchased by our client and the commercial value attached to these marks.

In the knowledge that our client purchased the trading names "Terrain" "Crackwax" "Classic Wax" and "Copram" when purchasing the assets of the Former Company, the Applicant has submitted an application to register the marks as UK marks in the same goods and services in which our client operates.

For information purposes, David Beal is a Director of JTI Defence Limited, a company incorporated on 28 September 2006, and from 8 October 2007 also a director of JT Inglis Limited, a company incorporated on 9 December 2005 under the former name Lancaster Shelf 84 Limited. David Beal as a director of the Former Company was aware that the trading name of the Former Company has been JTI Defence for at least 5 years. As such, the goodwill associated with the trading name belongs to our client, as assigned on 20 July 2007. Despite this, David Beal has registered this name at Companies House and is advertising and trading as JTI Defence Limited in relation to the same goods and services to that of our client.

It should be noted that one of our client's customers is the Ministry of Defence. Our client already has evidence that due to the Applicant's bad faith, in relation to JTI Defence Limited, our client's customers are becoming confused and associating the goods manufactured by the Applicant with those of our client. While this may be of particular relevance to this matter, it does serve to highlight the nature of the Applicant.

3. The applicants filed a counterstatement in which they admit that Mr David Beal was a director of JT Inglis & Sons Limited. They otherwise deny the grounds on which the opposition is based.

4. Both sides filed evidence in these proceedings which insofar as it may be relevant I have summarised below. As the evidence for each case is identical I have only summarised one set, amalgamating where necessary. The matter came to be heard on 15 July 2010 when the Applicants were represented by Mr Stuart Wallace of Murgitroyd & Company, their trade mark attorneys. The Opponents were represented by Mr Scott Milne of Thornton Law LLP, their trade mark attorneys.

## **Opponent's evidence in chief**

5. The first Witness Statements are dated 10 July and 17 September 2008, and come from Joseph Lawrence Dutton, a Director of J T Inglis & Sons Limited.

6. Mr Dutton says that JT Realisations Limited (formerly JT Inglis & Sons Limited) first used the unregistered trade marks CRACKWAX, CLASSIC WAX and TERRAIN in mid 2006. He says that Administrators were appointed to realise the sale of the assets of JT Inglis & Sons Limited on 14 December 2006. Mr Dutton refers to the Insolvency Act 1986, in particular to the fact that on appointment of the Administrator, the Directors cease to be able to exercise their powers.

7. Mr Dutton next gives details of the negotiations with the Administrator by which the opponent sought to purchase the assets. These commenced in January 2007 with the terms being set out in a Sale Purchase Agreement (SPA) signed on 20 July 2007, a copy being shown as Exhibit JLD1. The SPA was executed between Castlelaw (No. 676) Limited (subsequently JT Inglis & Sons Limited) and the Administrators acting on behalf of the former JT Inglis & Sons Limited. Paragraph 3.1 of the SPA mentions the intellectual property of the company to be amongst the assets purchased although not what trade marks this included. Mr Dutton says that as a board member he was part of the discussions on the disposal of the company assets and cannot recall any whereby Mr Beal sought to have the subject marks excluded from the sale. Part 5 the SPA includes a copy of an Assignment (unsigned) that specifically mentions registered and unregistered trade marks and the goodwill. A signed copy of the Assignment was included with the Form TM7 and Statement of Case. A schedule to the Assignment lists eight trade marks although not CRACKWAX, CLASSIC WAX or TERRAIN.

8. As Exhibits JDL2 (95576) and JDL4 (96712 & 96594) Mr Dutton provides a copy of an e-mail dated 25 June 2008 sent by Neil Armour (one of the Joint Administrators) to Claire Thompson of Thorntons. In this Mr Armour states that he had "not intended that any IPR be excluded from the sale" and had he been asked to specifically include the mark TERRAIN he would have been happy to do so. He further says that if the former JT Inglis & Sons Limited had rights to TERRAIN he is not clear how those could have passed to The Beal Group Limited.

9. The remainder of Mr Dutton's Statement consists of his views on Mr Beal's awareness, in particular, of the position regarding the ownership of the trade marks and associated goodwill. I will not summarise these comments but will take them into account in my decision.

10. The next Witness Statements are dated 25 June and 17 September 2008, and come from James Campbell, a Director of the opponent company and a Director of JTI Realisations Limited. Mr Campbell confirms the appointment of the Administrators on 14 December 2006 and the resulting negotiations to purchase the assets of the former company. He refers to the SPA which he shows as Exhibit JC1. Exhibit JC2 (95576) and JC4 (96594/96712) consist of a copy of the e-mail from the Administrators which Mr

Dutton also shows as Exhibit JLD2. Exhibit JC3 consists of details confirming that Mr Beal is a director of the applicants. Mr Campbell confirms that as a board member he took part in the discussions on the assets to be excluded from the sale and cannot recall any whereby Mr Beal sought to retain ownership of the marks or have them excluded from the sale. He says that he did not sign any written Assignment of the marks to Mr Beal and that the SPA is a full reflection of any discussions and agreements reached between the opponent and the administrator and the assets to be included and excluded.

11. Mr Campbell next refers to Exhibit JC3 (95576) JC5 (96594/96712) which he describes as a brochure entitled “ELEMENTS for the fabric of life” showing “indicative use of the mark in relation to these goods/services. He says that this originates from prior to the purchase of the assets of the former JT Inglis & Sons Limited by the opponents, and the making of the applications to register the marks. Under the heading “Our Range of Wax” is a list of names, including COPRAM, CLASIC 24, CLASSIC 12, CLASSIC 6, DISCOVERY and TERRAIN, mentioning a range of “wax finishes and base cotton fabrics”.

12. Exhibit JC4 (95576) and JC8 (96594/96712) consist of an exchange of e-mails between Mr Campbell and Lorna Reid who Mr Campbell says was the Marketing Manager of the former JT Inglis and Sons Limited. The e-mails date from 17/18 October 2006, Mr Cameron saying that they concern the production of a new brochure. These mention COPRAM, CLASIC 24, CLASSIC 12, CLASSIC 6, DISCOVERY and TERRAIN. Exhibit JC5 (95576) consists of a letter dated 17 June 2008 from New Rose Limited confirming the purchase of TERRAIN antique wax from JT Inglis & Sons Limited for the past two years. Exhibit JC6 (96594/96712) consist of an e-mail dated 9 September 2008 from Andrea Bell to Jimmy Campbell forwarding details of an earlier mail dated 4 December 2006, by which Ms Bell placed “an extra requirement for AW 07. Again to be available for call off mid/end Jan.” The order details are shown as “FAB\*CRACK WAX 8OZ\*76X50\*BLACK 1400 mts”, the customer being J Barbour & Sons Ltd. Exhibit JC7 (96594/96712) consist of a purchase order dated 20 March 2007, the supplier noted as JT INGLIS & SON LTD (IN ADMINISTRATION), the delivery being to J Barbour Ltd. The goods include 2,700m of “FAB\*CRACK WAX 8OZ\*76X50\*BLACK” for delivery on or before 29 June 07.

13. The remainder of Mr Campbell’s Statement consists of his views on Mr Beal’s awareness, in particular, of the position regarding the ownership of the trade marks and associated goodwill. I will not summarise these comments but will take them fully into account in my decision.

### **Applicant’s evidence**

14. This includes Witness Statements dated 12 November 2008 from David John Anthony Beal, a director of the applicants, a position he has held since the inception of the Beal Group Limited in January 2007. Mr Beal says that there was a former company of this name of which he was also a director.

15. Mr Beal says that the Former Beal Company acquired the former JT Inglis & Sons Limited in 1997. He goes on to refer to Exhibit DB1 which consists of a licence agreement executed on 1 May 2005 between David Beal as licensor, and The Beal Group Limited as licensee. Under this the licensor agrees to grant a licence to the licensee and its subsidiary undertaking, JT Inglis & Sons Limited, to use the intellectual property (as defined) in order to manufacture and sell new products in the UK. In the “Definitions” intellectual property is stated to mean “The Trade Names and all registered trade marks and trade mark applications (including the Trade Marks) in respect of the Trade Names. The definitions go on to specify that “Trade Marks” means “any registered trade mark or trade mark applications set out in Part 1 the Schedule and any subsequent trade mark applications or registered trade marks which may be registered by the Licensor from time to time in respect of Trade Names and Trade Names means the brand or trade names of the New Products set out in Part 2 of the Schedule.”. The Part 1 and Part 2 of the Schedule mentions Terrain, Classic Wax and Crackwax.

16. Mr Beal says that the Agreement makes it clear that the trade marks were the personal property of Mr Beal and in the event of the company being placed into administration they would, upon notice in writing, revert to him. He says that to his knowledge the assets of the Former Company were bought out by the opponent but this did not include the trade marks or any associated goodwill.

17. The final Witness Statement is from Stuart William Wallace, a trade mark attorney employed by Murgitroyd & Company. Mr Wallace says that he has been involved in the portfolio of trade mark applications since late 2007. The Statement merely claims non-receipt of the opponent’s evidence, asserting that it cannot, therefore be taken into account.

18. That completes my summary of the evidence insofar as it may be relevant to these proceedings.

## **Decision**

19. I will turn first to look at the ground under Section 5(4)(a). That section reads as follows:

“5.-(4) A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented -

(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, 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”.

20. 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] R.P.C. 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 applicant (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by the applicant 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 applicant's misrepresentation."

21. A similar provision to section 5(4)(a) of the Act is to be found in Article 8(4) of Council Regulation 40/94 of December 20, 1993. This was the subject of consideration by the Court of First Instance in *Last Minute Network Ltd v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)* joined cases T-114/07 and T-115/07. In that judgment the General Court stated:

"50 First, there was goodwill or reputation attached to the services offered by LMN in the mind of the relevant public by association with their get-up. In an action for passing off, that reputation must be established at the date on which the defendant began to offer his goods or services (*Cadbury Schweppes v Pub Squash* (1981) R.P.C. 429).

51 However, according to Article 8(4) of Regulation No 40/94 the relevant date is not that date, but the date on which the application for a Community trade mark was filed, since it requires that an applicant seeking a declaration of invalidity has acquired rights over its non-registered national mark before the date of filing, in this case 11 March 2000"

22. I also take note of the comments of Pumfrey J in the *South Cone Incorporated v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* case, in which he said:

"27. 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 Section 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.

28. 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 at the relevant date. Once raised the applicant must rebut the prima facie case. Obviously he does not need to show that passing off will not occur, but he must produce sufficient cogent evidence to satisfy the hearing officer that it is not shown on the balance of possibilities that passing off will occur.”

23. Usually the first issue to determine is the material date at which this objection must be judged. Where there has been use of the trade mark by the applicant prior to the date of application this must be taken into account as it could establish that it was the senior user. Additionally, it may show that there are circumstances that mean that the use of the subject mark would not be liable to be prevented by the law of passing-off. (See *Croom's Trade Mark Application* [2005] RPC 2 and *Daimlerchrysler AG v Javid Alavi (T/A Merc)* [2001] RPC 42.).

24. In this case any goodwill that could be relied upon by either of the parties will originate from use of the marks by the same entity. The applicant's claim is that this use was under a licence agreement granted by them and thus they derive the benefit, whereas the opponents claim rights through acquisition of the trade marks amongst the assets from the user company when it went into administration. It therefore seems to me that the first step should be to establish whether there is any goodwill to be relied upon, and subsequently, where this subsists. In *IRC v Muller and Co's Margarine* [1901] AC 217 at 223, Lord Macnaughton explained what is meant by “goodwill” in the following terms:

"What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start."

25. Although decided many years ago, in more recent cases such as *Phones 4u Ltd v Phone4u.co.uk Internet Ltd*, [2007] R.P.C. 5 the Court of Appeal refer to this statement so it is reasonable to infer that Lord Mcnaughton's words hold good. In his evidence Mr Dutton says that JTI Realisations Limited (formerly JT Inglis & Sons Limited) first used CRACKWAX, CLASSIC WAX and TERRAIN as unregistered trade marks in mid 2006 but beyond this gives no detail. The only evidence relating to actual use in trade comes from James Campbell, a Director of the opponent company and formerly a Director of the JTI Realisations Limited. Mr Campbell first refers to a brochure entitled “ELEMENTS for the fabric of life” (Exhibits JC3 (95576) JC5 (96594/96712) which shows “indicative use of the mark” originating from prior to the purchase of the assets by the opponents and the making of the applications to register the marks. Under the heading “Our Range of Wax” is a list of names, including COPRAM, CLASSIC 24, CLASSIC 12, CLASSIC 6, DISCOVERY and TERRAIN used in relation to a range of wax finishes

and base cotton fabrics. Exhibits JC4 (95576) and JC8 (96594/96712) consist of an exchange of e-mails in the period 17/18 October 2006 between Mr Campbell and Lorna Reid, Marketing Manager of the former company, concerning the production of a new brochure.

26. It is, of course possible for goodwill to be generated by advance publicity (See *Allen v Brown Watson* [1965] RPC 191 such as by the distribution of brochures. However, Slade J in *My Kinda Bones v Dr Pepper's Stove Co.* [1984] FSR 289 pointed out that the *Allen v Brown Watson* case did not necessarily go any further than to show that with heavy pre-launch publicity a very short time on the market might be sufficient to support an action. This is a view endorsed by Jacob J in *Reed Consumer Books Ltd v Pomaco Ltd* [2000] FSR 734. Here there is a lack of detail in the information on which to gauge the extent to which these brochures may have been used in relation to trading activities. That said, Mr Cameron refers to them as presenting evidence of indicative use, a claim that has not been the subject of any challenge.

27. Evidence relating to actual sales can be found in Exhibit JC5 (95576) which consists of a letter dated 17 June 2008 from New Rose Limited confirming the purchase of TERRAIN antique wax from JT Inglis & Sons Limited for the past two years. Exhibit JC6 (96594/96712) consists of an e-mail dated 9 September 2008 from Andrea Bell to Jimmy Campbell forwarding details of an earlier mail dated 4 December 2006, by which Ms Bell placed "an extra requirement for AW 07 to be available for call off mid/end Jan." The order details are shown as "FAB\*CRACK WAX 8OZ\*76X50\*BLACK 1400 mts", the customer being J Barbour & Sons Ltd. Exhibit JC7 (96594/96712) consists of a purchase order dated 20 March 2007, the supplier noted as JT INGLIS & SON LTD (IN ADMINISTRATION), the delivery being to J Barbour Ltd. The goods include 2,700m of "FAB\*CRACK WAX 8OZ\*76X50\*BLACK" for delivery on or before 29 June 07.

28. The evidence also suffers from the very problem identified by Pumfrey J in the *South Cone* case. There is no evidence from the trade as to reputation or the manner in which the goods are traded, nor anything on the scale of use. To qualify for protection the goodwill must be of more than a trivial nature, see *Hart v Relentless Records* [2002] EWHC 1984 ("*Relentless*") although very slight trading activities have been held to generate sufficient goodwill, for example, see *Jian Tools for Sales v Roderick Manhattan Group* [1995] F.S.R. 924. Whilst this evidence does not provide the detail that would assist me in gauging the extent of the use referred to, it seems reasonable to accept that a two-year business relationship is evidence of a trade that was more than trivial and that there is goodwill in TERRAIN and CRACK WAX. Although this evidence does not relate to products bearing the CLASSIC WAX mark, I should take cognisance of the earlier mention in the brochures and Mr Beal's apparent acceptance of there being use of this mark, and from this, the existence of associated goodwill.

29. Mr Dutton recounts that on 14 December 2006 Administrators were appointed to dispose of the assets of the former JT Inglis & Sons Limited. Negotiations between Castlelaw (No.676) Limited and the Administrator commenced in January 2007 and a Sale and Purchase Agreement (SPA) was signed on 20 July 2007 (Exhibit JLD1),

paragraph 3.1 of which refers to “intellectual property” as being amongst the assets purchased although not what, if any trade marks this included. Part 5 includes a copy of an Assignment that specifically lists registered trade marks although not CRACKWAX, CLASSIC WAX or TERRAIN. Although this version is not signed and dated, a copy filed with the Statement of Case shows the Assignment to have been signed on 20 July 2007 by Mr Dutton (on behalf of the purchasers Castlelaw) and Messrs Armour and Mackenzie as Joint Administrators. The opponents seek to plug this hole with an e-mail dated 25 June 2008 from Mr Neil Armour, one of the Administrators, in which he states that he had “not intended that any IPR be excluded from the sale”. Mr Armour goes on to say that had he been asked to specifically include the mark TERRAIN (he does not mention the other two marks) in the sale he would have been happy to do so, Mr Armour qualifies this with the proviso “subject to the extent that the asset was there to sell” which seems to indicate that the administrators did not know of the subject trade marks. Notwithstanding this it is clear the former JT Inglis & Sons Limited had used the subject marks in trade and as intellectual property would have been included in any transfer provided the company owned them.

30. Mr Beal says that on 1 May 2005 an agreement was executed between himself as licensor and The Beal Group Limited as licensee. Under this the licensor agreed to grant the licensee and its subsidiary undertaking JT Inglis & Sons Limited a licence to use the intellectual property, as defined, in order to manufacture and sell new products in the UK. The definition states intellectual property to mean “The Trade Names and all registered trade marks and trade mark applications (including the Trade Marks) in respect of the Trade Names. “Trade Names” is said to refer to “...the brand or trade names of the New Products set out in Part 2 of the Schedule.” With “Trade Marks” stated to mean “any registered trade mark or trade mark applications set out in Part 1 the Schedule and any subsequent trade mark applications or registered trade marks which may be registered by the Licensor from time to time in respect of Trade Names...” Part 1 and Part 2 of the Schedule mention Terrain, Classic Wax and Crackwax. It does seem a little strange that the schedules should mention the subject marks in terms given that on the date that the Licence is shown to have been executed none of these were registered and no applications for registration had been filed. In fact it was nearly two years after the signing of the licence that any applications for registration were made, which begs the question why had Mr Beal delayed taking such action for nearly two years.

31. Mr Beal says that the Intellectual Property Licence makes it clear that the trade marks were his personal property and in the event of the Licensee being placed into administration they would revert to him. He says that to his knowledge the assets of the former JT Inglis & Sons Limited bought by the opponent did not include the trade marks or any associated goodwill.

32. Mr Dutton says that as a board member he was part of the discussions on the assets and cannot recall Mr Beal seeking to have the subject marks excluded from the sale. Mr Campbell also confirms that as a board member he took part in the discussions on the assets and cannot recall Mr Beal seeking to retain ownership of the marks or have them excluded from the sale. He says that he did not sign any written Assignment of the marks

to Mr Beal and that the SPA is a full reflection of any discussions and agreements reached between the opponent and the administrator regarding the assets to be included and excluded. Given this, it is perhaps not surprising that the authenticity of the Licence Agreement relied upon by Mr Beal is challenged by the opponents who, for a number of reasons believe it to be a fabrication. This was tested through Cross Examination of Mr Beal.

33. The first point that the opponents make in relation to the Licence is that the date of execution is a Sunday, not a usual working day. For most people the normal working week will run from Monday to Friday. However, for some, particularly the self employed or those in positions (such as such as Mr Beal) who may not work conditioned hours, the weekend may form part of the available work time. The signing of the Licence did not only involve Mr Beal to be in the office on a Sunday but also the other signatories. When questioned on this Mr Beal admitted that this may seem unusual but was something that happened. Mr Milne accepted that it might have happened but was in fact a mistake to have chosen a date that was a Sunday.

34. I see no reason to dispute that Mr Beal may go to his office on the weekend. Likewise I see no reason why other people should not also be there, particularly if required to deal with important or time-critical issues although given that the evidence shows the marks were not put into use for some considerable time later I cannot see what would make the signing of this Licence fit that description. Nonetheless, whilst it may be reasonable to say being in the office to sign a Licence on a Sunday might be out the norm for most people, it is not, of itself a fact that could lead to a conclusion that it could not have been executed on that day.

35. Under examination Mr Beal confirmed that the Licence had been drawn up by Mr Graham Cook, one of the directors of The Beal Group Limited, and not as would be expected by the company's legal representatives. Mr Milne questioned why the Licence had been signed by, and effected between Mr Beal and what is a holding company rather than the actual user, the former J T Inglis & Sons Limited, asserting that it had been done this way to keep its existence hidden from the board of that company. Strictly speaking it is not correct to say that the Licence was with the holding company as paragraph B" of the Licence states that "The licensor has agreed to licence to the licensee and its subsidiary undertaking JT Inglis & Sons Limited...to use the Intellectual Property..." which includes the subject marks. Mr Beal's answer was that Mr Cook was a director of both companies, but as pointed out by Mr Milne, Mr Cook had signed in his capacity of director of The Beal Group Limited. Mr Beal further justified not informing the directors of J T Inglis & Sons Limited about the Licence saying that as The Beal Group Limited were in the process of trying to sell J T Inglis & Sons Limited it was not appropriate "necessarily to share with everybody at the time as the negotiations were ongoing."

36. Notwithstanding Mr Beal's confirmation that the board of the former JT Inglis & Sons Limited had not been informed of the Licence, paragraph 3 of the Counterstatement refers to discussions of the board "of the Former company" at which it was "...abundantly clear...that Mr David Beal was entitled to retain ownership..." of the TERRAIN,

CRACK WAX and CLASSIC WAX trade marks after the demise of the former company. When questioned on this statement Mr Beal admitted that no such discussions had taken place. Mr Milne asked why the Counterstatement should make reference to discussions that he now admitted had never taken place, to which Mr Beal replied “I think you might find it is perhaps related to the holding company other than the trading company”. This might have been plausible except for the fact that as highlighted by Mr Milne, the preceding paragraph makes it clear that “former company” refers to the former JT Inglis & Sons Limited by reference to that company’s name and company registration number. Mr Wallace intervened to say that he had drafted the Counterstatements, as usual using “...information that is taken from the Applicant, put into this form...I have to take ownership of that mistake that “former company” in this is actually meant to be the Beal Group Limited...”. This does seem to be an unlikely error for a professional representative to make, particularly given the precise nature of the information, but I have no cause to doubt Mr Wallace’s word.

37. From this it seems reasonably clear that with the exception of Mr Cook, the board of the former JT Inglis & Sons Limited was completely unaware of the Licence and that they were using the marks as licensees, with Mr Beal retaining ownership of the marks and any accrued goodwill. Having been so careful to safeguard his position by executing the Licence, it is difficult to understand why Mr Beal would not make the position clear, if only to avert any possibility of the trade marks being inadvertently sold along with the company’s other assets. From Mr Beal’s own words, keeping the board of the former JT Inglis & Sons Limited in the dark was no oversight.

38. Mr Milne turned his attention to the lack of any mention of the Licence in the applicant’s responses to the opposition and to its subsequent appearance as an exhibit to Mr Beal’s Witness Statement of 12 November 2008. Three separate oppositions were launched, each Statement of Case being accompanied by a letter referring to an Assignment by which the opponents (then named Castlelaw (No. 676) Limited) acquired the subject trade marks and a copy of the Assignment itself. The Counterstatements acknowledge the Assignment, even commenting that there was no specific mention of the subject marks. Assuming that Mr Wallace was aware of Mr Beal’s Licence it is reasonable to expect some mention of it would have been made, but there is nothing.

39. Mr Beal says that he had discussions with David Kennedy of Kennedy Patents, his first representative, and that he thought “...David Kennedy felt there wasn’t going to be any need for...I certainly don’t think David Kennedy foresaw the lengthy and difficult process that’s gone on.” I have to admit to being somewhat surprised by a suggestion that a legal representative would contemplate not disclosing a fact as material as the Licence, or would not fully appreciate the nature of opposition proceedings. Mr Beal then says that the existence of the Licence was made available in 2008 because “this is possibly the time that Stuart felt it was required”, “Stuart” presumably being a reference to the applicant’s subsequent representative, Stuart Wallace. It is hard to believe that Mr Wallace would not appreciate the significance of the Licence or that he did not bring it to the tribunal’s attention because it may be needed later. Such action would clearly be

contrary to the guidance of Mr Geoffrey Hobbs QC sitting as the Appointed Person in *Demon Ale* [2000] RPC 345 in which was stated:

“Considerations of justice, fairness, efficiency and economy combine to make it necessary for the pleadings of the parties in Registry proceedings to provide a focussed statement of the grounds upon which they intend to maintain that the Tribunal should or should not do what it has been asked to do”

40. Mr Milne questioned Mr Beal on the operation of the Licence, in particular whether any royalty payments had been made as provided for by Paragraph 5. Mr Beal was not sure there had been because the payments would have been made to his director’s loan account and he presumes the paperwork is with the administrators. Mr Milne referred to the payment that would have been due as standing at £3,000, but as the licence stipulates this to be the payment for “each trade mark” so the amount payable for use of CRACKWAY, TERRAIN and CLASSIC WAX would potentially have been £9,000. Assuming that payments had been made this would presumably have shown up on the accounts of the former JT Inglis & Sons Limited and picked up by the Administrators, yet Mr Armour appears not to know of the trade marks.

41. Paragraph 7.2 of the License allows for termination in the event that either party becomes subject to an Administration order, insolvent, etc, or “ceases to function as a going concern or to conduct its operation in the normal course of business. The paragraph stipulates that notice of termination in these circumstances shall be in writing. Clearly the circumstances here fall within this yet there is no evidence of any notice having been given, in writing or otherwise.

42. In circumstances such as these there is never going to be a “smoking gun” on which to base a decision. The best that can be done is to reach a conclusion based on what is known with what it is reasonable to infer. To my mind the circumstances as considered above tip the scales on the side of the Licence being a later manufacture, and probably from after the filing of the oppositions, and this being the case it can add no weight to the applicant’s claim to be the owner of the subject marks.

43. This takes me back to a point that I mentioned earlier, namely, that Mr Neil Armour, one of the Administrators has stated that he had “not intended that any IPR be excluded from the sale...subject to the extent that the asset was there to sell.” The conclusion I reach following my findings in respect of the Licence is that the subject trade marks were there to sell, and as “intellectual property” came under the scope of the SPA. Accordingly, they and any attached goodwill now belong to the opponents.

44. This leads on to the question of misrepresentation, the general principle being that it is not permissible to represent one business in such a way that it will lead to the belief that it is connected to another in any way that is likely, in reality, to lead to damage the other business. (See for example, *Harrods Ltd. v. Harrodian School Ltd.* [1996] R.P.C. 687). In circumstances such as these, namely, the same marks and the same goods, the misrepresentation is self-evident, and the potential for damage needs no explanation. I

find the ground advanced under Section 5(4)(a) to be established and the opposition succeeds on this ground.

45. Whilst this effectively decides the opposition I will for completeness go on to consider the ground under Section 3(6), which given my findings above can, I believe quite easily be disposed of. That section reads as follows:

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

46. Bad faith is to be considered as at the time of the making of the application, and whilst later acts cannot change the fact that application was made in bad faith they can assist in the determination. (*Ferrero SpA's Trade Marks* [2004] RPC 29 below).

47. So what is bad faith? In *Gromax Plastics Limited v. Don and Low Nonwovens Ltd* [1999] RPC 167 Lindsay J stated :

“I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes some dealings which fall short of the standard of acceptable commercial behaviour observed by reasonable and experienced men in the particular field 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.”

48. In determining whether there is or has been bad faith it is the “combined test” which is generally accepted as the correct interpretation of *Twinsectra Ltd v Yardley and Others* [2002] UKHL 12, and subsequently in (1) *Barlow Clowes International Ltd. (in liquidation)* (2) *Nigel James Hamilton and (3) Michael Anthony Jordon v (1) Eurotrust International Limited (2) Peter Stephen William Henwood and (3) Andrew George Sebastian* Privy Council Appeal No 38 of 2004. In this later judgment Lord Hoffman stated:

“10. The judge stated the law in terms largely derived from the advice of the Board given by Lord Nicholls of Birkenhead in *Royal Brunei Airlines Sdn. Bhd. V Tan* [1995] 2 AC 378. In summary, she said that liability for dishonest assistance requires a dishonest state of mind on the part of the person who assists in a breach of trust. Such a state of mind may consist in knowledge that the transaction is one in which he cannot honestly participate (for example, a misappropriation of other people's money), or it may consist in suspicion combined with a conscious decision not to make inquiries which might result in knowledge: see *Manifest Shipping Co Ltd v Uni-Polaris Insurance Co Ltd* [2003] 1 AC 469. Although a dishonest state of mind is a subjective mental state, the standard by which the law determines whether it is dishonest is objective. If by ordinary standards a

defendant's mental state would be characterised as dishonest, it is irrelevant that the defendant judges by different standards. The Court of Appeal held this to be a correct state of the law and their Lordships agree.....

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

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

49. Further confirmation of the considerations to be applied in determining whether there has been bad faith can be found in *Ajit Weekly Trade Mark* [2006] RPC 25 in which Professor Ruth Annand, sitting as the appointed person, stated:

“41. I believe the parties are agreed that the upshot of the Privy Council decision in *Barlow Clowes* is: (a) to confirm the House of Lords’ test for dishonesty applied in *Twinsectra*, i.e. the combined test; and (b) to resolve any ambiguity in the majority of their Lordships’ statement of that test by making it clear that an enquiry into a defendant’s views as regards normal standards of honesty is not part of the test. The subjective element of the test means that the tribunal must ascertain what the defendant knew about the transaction or other matters in question. It must then be decided whether in the light of that knowledge, the defendant’s conduct is dishonest judged by ordinary standards of honest people, the defendant’s own standards of honesty being irrelevant to the determination of the objective element. I also bear in mind the observations of Lawrence Collins J. in *Daraydan Holdings Ltd v. Solland International Ltd* [2005] 4 All ER 73 at 93 concerning the affirmation of recent decisions of the Privy Council made by serving Law Lords after full argument.”

50. Each case must be considered upon its own merit and facts. In *Harrison v Teton Valley Trading Co Ltd* [2005] FSR 10, Sir William Aldous held:

“33. The judge applied the statement of Lindsay J in *Gromax* which is cited above paragraph 18. He was right to do so. The words "bad faith" are not apt for definition. They have to be applied to the relevant facts of each case. The test is the combined test and the standard must be that of acceptable commercial behaviour observed by reasonable and experienced persons in the particular commercial area being examined. I stress "acceptable commercial behaviour" to exclude behaviour that may have become prevalent, but which would not upon examination be deemed to be acceptable.

51. This quotation brings me on to the next matter that has to be settled; on what basis are the actions of an applicant to be judged. Sir William Aldous stated in *Harrison*:

“20 Mr Silverleaf Q.C., who appeared for the applicant, submitted that the words "made in bad faith" required that the application should be made "dishonestly". I reject that submission. If dishonesty was the test then that word would have been used in the 1994 Act and in the Directive. No doubt an application made dishonestly will be made in bad faith, but it does not follow that if dishonesty is not established, bad faith cannot have existed.....

25 Lord Hutton went on to conclude that the true test for dishonesty was the combined test. He said:

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

26 For my part, I would accept the reasoning of Lord Hutton as applying to considerations of bad faith. The words "bad faith" suggest a mental state. Clearly when considering the question of whether an application to register is made in bad faith all the circumstances will be relevant. However the court must decide whether the knowledge of the applicant was such that his decision to apply for registration would be regarded as in bad faith by persons adopting proper standards.

27 I believe that Mr Silverleaf did, during argument, accept that to be the right test. He accepted that despite his client's belief as to what he had been told by Mr Rymer, the applications would have been made in bad faith if the circumstances were such that an honest person would not have applied for registration without further enquiries. Mr Vanhegan also modified his basic submission during argument. He accepted that an application would be made in bad faith if the applicant knew or ought to have known that somebody else had a better claim. If when he said "ought to have known" he had in mind that the standard was that of

persons adopting proper standards, then there may be little of importance between that and the combined test that I have set out above.”

52. As I have previously said, the opponents claim that they own the subject marks by virtue of the SPA by which the Administrators of the former JT Inglis and Sons Limited transferred the assets of that company, including the intellectual property to them. I have accepted this to be the case. In an attempt to justify their application to register the marks the applicants sought to rely on a document under which it was said that use of the subject marks by the former company had been under a licence granted by Mr Beal. This was intended to establish that the former JT Inglis and Sons Limited did not own the marks and this being the case they could not have been included in and sale of the company assets. Based on the information before me I reached the conclusion that this Licence was not executed at its date but at some time later, most probably after the filing of the opposition.

53. It may well be that Mr Beal believes that these marks belong to him and that in executing the Licence he was doing no more than holding on to what is rightfully his, but as can be seen from the above cases, Mr Beal’s state of mind and beliefs are of little consequence. I cannot see that any reasonable person could regard constructing evidence as being honest conduct whatever the circumstances, and certainly not acceptable commercial behaviour observed by reasonable and experienced persons in the trade. I therefore cannot see how the applicants can escape a finding that in making the applications they were acting in bad faith. The ground under Section 3(6) also succeeds.

54. The oppositions having been successful the opponents are entitled to a contribution towards their costs. Mr Milne accepted that the circumstances of the case warranted an award based on the set scale, and this being the case, I order the applicant to pay the opponent’s the sum of £4,450 being calculated as follows:

Preparation of 3 Notices of Opposition and accompanying statements: £300 plus statutory fees of £600

Considering Statement s of case in reply: £300

Preparing and filing evidence: £1,000

Considering evidence from applicant: £750

Preparation for and attendance at Hearing: £1,500

Reflecting the duplication/overlap in the documentation, issues and evidence this sum represents the total award for the three oppositions and is to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

**Dated this 16 day of December 2010**

**Mike Foley  
for the Registrar  
the Comptroller-General**