O/479/20

In the matter of six UK Trade Marks registered in the name of Loch Ness Spirits Limited ('the Proprietor')

and

Applications Nos. 502351-356 by Duncan Taylor Scotch Whisky Limited ('the Applicant') for declarations that the registrations are invalid

and

In the matter of an Appeal to the Appointed Person by the Applicant against the Decision of the Hearing Officer O-772-19 for the Registrar, The Comptroller General dated 13 December 2019

DECISION OF THE APPOINTED PERSON

Introduction

1. The central point in this case and Appeal is whether the Applicant has established it was, at the relevant date(s), the owner of a substantial goodwill generated by the sale of 'Loch Ness' whisky, sufficient to found a cause of action in passing off. This divides into two distinct issues:

   1.1. Whether the Applicant or some other company was the owner of any such goodwill;

   1.2. (on the assumption that the Applicant was the owner of the goodwill) whether that goodwill was sufficiently substantial to found a cause of action in passing off or, as the Proprietor says, it was merely of a 'trivial' nature, or, as the Hearing Officer found, the evidence was too vague, poorly supported and in some respects, unreliable.

2. The first issue is unusual in circumstances where the issue as to who owns the goodwill is between 'related' companies, because normally if there is any doubt, the assertion of passing off is brought in the name of both or all relevant companies.

3. The Proprietor, Loch Ness Spirits Limited, has six UK trade mark registrations filed on various dates ranging from 11 July 2015 to 18 May 2017. There are five word marks – LOCH NESS GIN, LOCH NESS VODKA, LOCH NESS RUM, LOCH NESS SPIRITS and LOCH NESS WHISKY, plus a device mark which includes the words LOCH NESS

SPIRITS REAL & RARE. The Applicant filed six applications at the UK IPO for declarations of invalidity under s.47 invoking s.5(4)(a) i.e. as at the respective relevant date, the Applicant was entitled to restrain the use of each of the marks by the law of passing off. Naturally, these applications were consolidated. Since neither side requested a hearing, Mr Allan James issued his Decision O-772-19 after considering the evidence and written submissions filed by each side.

4. Mr James' conclusions were, in summary:

   4.1. First, the applicant failed to show that it was the owner of goodwill generated under the name LOCH NESS in relation to whisky.

   4.2. Second, even if the applicant had shown its entitlement to make these applications on the case as pleaded, he would still have rejected the applications because the evidence of the existence of a protectable goodwill was too vague, poorly supported and in some respects, unreliable.

   4.3. Third, assuming he was wrong on each of the first two points, Mr James went on to consider whether the use of the registered marks would make a misrepresentation, and he concluded that use of the marks in relation to spirits 'probably would' but that the use of LOCH NESS SPIRITS in relation to goods in classes 18 and 25 would not.

   4.4. Fourth, that damage would follow his findings of misrepresentation.

   4.5. Overall, therefore, the applications failed and Mr James ordered the Applicant to pay £3,200 by way of contribution towards the costs of the proprietor.

The Appeal process

5. The Appeal was initiated by the Applicant filing its TM55 on 17 January 2020 (following a short extension of time), including a lengthy document entitled 'Grounds of Appeal' comprising 38 paragraphs over 9 pages. This document included an application to adduce fresh evidence on appeal but it was stated that the Applicant's attorneys 'intend to serve such material as soon as possible'.

6. When the Appeal was allocated to me in early April 2020 and I read the TM55, I was surprised to learn that the fresh evidence had not been served. A Respondent's Notice had

been served on 10 March 2020. Since the intended 'fresh evidence' had not materialised, a date for the hearing of the Appeal was fixed in the normal way for hearing on 30 July 2020.

7. The 'fresh evidence' had still not materialised when on 22 July 2020 at 12.17 my clerk received an email from the Applicant's attorneys applying to adjourn the hearing of the Appeal for a period of two months. The Respondent's solicitors responded very quickly indeed, objecting to any adjournment. Before I was able to rule on the application, the next day, at 15.36, a further email from the Applicant's attorneys was received enclosing a link to a sharefile site at which the 'fresh evidence' could be accessed. The email identified the fresh evidence as comprising:

   7.1. The second witness statement of Mr Euan Shand dated 21 July 2020 with exhibits ECS09 and ECS10;

   7.2. The witness statement of Ms Mojdeh Shand also dated 21 July 2020, with 40 exhibits, MZS01 to MZS40;

   7.3. The witness statement of Mr Vettese (the Applicant's attorney), dated 23 July 2020.

8. That email also stated: '*Since Party B's representative, Mr Philip Hannay, has already indicated in response to the adjournment request of 22 July 2020 that he does not require additional time to review and comment on this fresh evidence, Party A is prepared to proceed with the hearing on 30 July 2020*.' As Mr Hannay pointed out in his email in response, that statement was a mischaracterisation of his email response of 22 July 2020.

9. With commendable speed, on 28 July 2020, the proprietor served evidence in reply to the fresh evidence served on 23 July. The proprietor's evidence comprised:

   9.1. The witness statement of Lorien Cameron-Ross in her capacity as a director of the Proprietor; and

   9.2. The witness statement of Philip Hannay in his capacity as the solicitor acting for the Proprietor.

10. It is fair to say that these witness statements were directed at the application to adduce the fresh evidence and largely consist of commentary pointing out inconsistencies between the original evidence served by the Applicant and the fresh evidence.

11. Also on 28 July 2020, each side filed their Skeleton Argument in advance of the hearing before me which took place remotely by videolink on 30 July 2020 with Ms Denise McFarland instructed by Murgitroyd for the Applicant and Mr Philip Hannay, of Cloch Solicitors for the Proprietor. I am grateful to them both for their written and oral submissions.

The Application to adduce the fresh evidence.

12. As if the circumstances of the service of the fresh evidence were not unusual enough, the grounds on which that evidence is sought to be admitted are more unusual still. I discuss the issue in more detail below, but the application is made on the basis, as I understand it, that *all* the fresh evidence has always been in the possession of the applicant and could have been included in the original evidence rounds *if it had been thought necessary.* Mr Vettese is candid in his witness statement that he thought the original evidence was sufficient. He accepts that the Hearing Officer disagreed. It is said that the need for the materials in the fresh evidence only became apparent *with hindsight* and could not have been appreciated before. It is submitted that I have and should exercise '*a broad remedial discretion which fosters justice and fair play, whilst recognizing the interests of the respective parties*.'

The structure of my decision

13. The matters debated in the Skeletons and at the hearing before me ranged very widely indeed and it is not necessary for me to address all those matters in this Decision. In the circumstances I propose to structure my decision by addressing the following topics:

    13.1. The positions taken by the Applicant and Proprietor in their pleadings;

    13.2. The criticisms made of the Hearing Officer's Decision on the basis of the evidence which was before him, which will necessarily include an assessment of that evidence;

    13.3. A summary of what the fresh evidence establishes, over and above the original evidence, on the issue of entitlement to goodwill;

    13.4. Consequences and conclusions.

The Pleadings

14. I start with the pleadings because part of the Proprietor's response, both to the Appeal and to the Application to introduce the new evidence is that the Appellant's approach contradicts its own pleaded case.

15. The essence of the Applicant's case is in paragraph 3 of its TM26I. I quote:

> 'One of the first whisky brands developed by the Applicant was LOCH NESS whisky. Whisky under this brand was brought to market by a wholly owned subsidiary of the Applicant, the Original Loch Ness Whisky Company Limited, which was incorporated on 12 May 2008. The mark LOCH NESS has therefore been applied to whisky and its packaging by the Applicant or with its consent since at least as early as May 2008.

16. In paragraph 4 was shown an image of a bottle of LOCH NESS whisky 'produced by the Applicant', and reference was made to 'the Applicant's dedicated website at www.lochnesswhisky.co.uk'.

17. On the basis of those allegations of fact, the Applicant pleaded that it had 'generated significant and viable goodwill and reputation in and to the mark LOCH NESS for Scotch Whisky'.

18. Although the Proprietor took many points in its Counterstatement, on the key issue of goodwill, the Applicant was put to strict proof regarding the existence and ownership of the goodwill relied upon, and whether there was simply 'trivial' goodwill not enough to form the basis for passing off.

The Applicant's evidence

19. The original evidence served by the Applicant comprised the first witness statement of Euan Shand. The substantive paragraphs covered about 2 ½ pages. There were 8 short exhibits, many comprising a page showing an indistinct image of a bottle of whisky with labels featuring the words LOCH NESS along with traditional images of the Loch Ness Monster.

20. Although the Appellant strongly criticises the inferences and conclusions drawn by Mr James from Mr Shand's evidence, save for one point, I did not detect any criticism of the reasonably full description of the content of that first witness statement set out in paragraphs 9 to 14 of the Decision. The single point of exception concerns the Hearing Officer's analysis of exhibit ECS03 in his paragraph 11:

> "11. Exhibit ECS03 consists of pages from the website masterofmalt.com, which appears to be an online retailer of spirits. The web pages are not dated, but are clearly from 2019 (i.e. after these proceedings started). They show a single malt whisky for sale bearing a label with the words LOCH NESS. The picture in evidence is of very poor quality. The name of the distiller/bottler cannot be made out. However, the accompanying details indicate that the whisky is 10 years old and was distilled and bottled by the applicant. The product is listed for sale in pounds sterling, indicating that the website is aimed, at least in part, at UK consumers. There are two customer reviews. The first, dated March 2017, refers to the purchase of the whisky in Scotland in 2005. The reviewer recalls drinking the product six years later "back in Australia." The second review, dated November 2016, refers to the 10-year old whisky being good value at A$60. I take this to be Australian dollars. If so, both reviewers appear to be Australian customers. Further, if the first reviewer bought the whisky in 2005, this was before the applicant claims to have become associated with LOCH NESS whisky in 2008. Similarly, the 10-year old whisky the second reviewer commented upon in 2016 must have been distilled in 2006, also prior to the applicant's claimed involvement with the product."

21. The criticism concerns the last sentence. The Applicant did not have to have been the distiller of a 10-year old whisky in 2006 to have been involved, for example, in bottling the product at some point and selling it in 2016. This point, however, takes the Appellant nowhere because the Hearing Officer was in any event correct in his paragraph 30 to treat this exhibit with a degree of caution. This point aside, and having reviewed the witness statement, I agree with the Hearing Officer's summary of the evidence.

22. For reasons which will become apparent, I draw particular attention to the only parts of Mr Shand's witness statement which impinge on the issue of which company owns the goodwill.

23. Mr Shand identifies himself as Chairman (and a director) of the Applicant ('Duncan Taylor'), and also as a director of The Original Loch Ness Whisky Company Limited (which he abbreviated to 'Loch Ness Whisky'), which he describes as 'a sister company to' the Applicant. In his paragraph 3, he said this:

> 3. The trade mark LOCH NESS has been applied to whisky and its packaging in the UK by Duncan Taylor since at least as early as January 2008, and has been in continuous use since that date. The trade mark LOCH NESS was applied by Loch Ness Whisky with the permission of, and under the implied licence from, Duncan Taylor, given that Duncan Taylor is the ultimate owner of the mark LOCH NESS for whisky.

24. The Proprietor served 6 witness statements in answer. Again, no criticism was made of Mr James' summary of that evidence in paragraphs 15-27 of the Decision. I draw attention in particular to Mr James' summary of Mr Hannay's first witness statement in paragraph 26:

> "26. Mr Hannay's evidence is that documents obtained from Companies House show:
>
> (i) The applicant was incorporated in 1961 as Duncan Taylor Company Ltd and changed its name in 2010 to Duncan Taylor Scotch Whisky Company Ltd;
>
> (ii) The applicant's accounts for the period December 2007 to December 2016 made no provision for the acquisition or amortisation of goodwill;
>
> (iii) There is no record of The Original Loch Ness Whisky Company Ltd or The Loch Ness Whisky Company Ltd in the applicant's accounts, either in the note headed 'subsidiary undertakings' or elsewhere;
>
> (iv) The Loch Ness Whisky Company Limited was incorporated in 1996 under number SC166584, was only ever registered in that name, and was dissolved in 2010;
>
> (v) Neither the applicant nor Mr Shand were directors or shareholders of The Loch Ness Whisky Company Limited;
>
> (vi) The last filed accounts to 31 May 2008 show that The Loch Ness Whisky Company Limited traded in a small way prior to its dissolution;
>
> (vii) Company number SC342695 was incorporated in May 2008 as MountWest 806 Ltd and soon after changed its name to The Original Loch Ness Whisky Company Ltd;
>
> (viii) Between 2009 and 2016, The Original Loch Ness Whisky Company Ltd had 3 directors, one of which was Mr Shand;
>
> (ix) The directors each owned one third of the issued share capital (i.e. the applicant company did not own any shares in The Original Loch Ness Whisky Company Ltd);
>
> (x) Dormant company accounts were filed for The Original Loch Ness Whisky Company Ltd for each year between 2009 and 2016."

25. Those points undoubtedly called for at least some explanation in evidence in reply from the Applicant, but, as Mr James recorded in his paragraph 28, the Applicant only filed lengthy written submissions by way of reply and no evidence. I should record that in those written submissions, the Applicant's representative's only response to those points established in Mr Hannay's evidence was to assert they were irrelevant, but he went on to say this:

> 'As previously advised in evidence, Mr Shand is a director of the original Loch Ness

Whisky Company Limited and as such, granted a licence to Party A [i.e. the Applicant] to apply the mark LOCH NESS to 'whisky' and its packaging. There is no formal written licence in place, given that Mr Shand is a director of both companies, but there can be no doubt that an implied licence is in place.'

The Hearing Officer's Decision on who was the owner of goodwill

26. As I have indicated, the Hearing Officer concluded that the Applicant was not the owner of any goodwill which was generated by the sales of LOCH NESS whisky and therefore not entitled to bring the applications. His reasons were as follows:

"29. The first question is whether, if the applicant's evidence is sufficient to establish that a protectable goodwill existed in the UK at the relevant dates under the name LOCH NESS, the applicant has established that it is the owner of the goodwill and any associated earlier right.

30. The applicant's pleaded case is that LOCH NESS whisky was brought to market in 2008 by The Original Loch Ness Whisky Company Limited. The mark has subsequently been used by the applicant, or with its consent. In fact, the only independent documentary evidence identifying the applicant as the bottler/distiller of LOCH NESS whisky is the extract from the website of spirits retailer, masterofmalt.com. However, the web page in question dates from 2019. This is long after the relevant dates in these proceedings. It also post-dates the start of these proceedings. Accordingly, in assessing whether these web pages show that the product was publicly associated with the applicant prior to the relevant dates in 2015 – 2017, I must approach this evidence with a degree of caution. I approach the evidential value of the pages from the applicant's own website at duncantaylor.com, which also appear to have been downloaded in 2019, with a similar degree of caution.

31. The only independent documentary evidence showing use of LOCH NESS in relation to whisky which pre-dates the relevant dates is the copy of the home page for the website at lochnesswhisky.co.uk. This is from January 2008. However, this was the website of The Loch Ness Whisky Company Limited (company number SC166584). The proprietor's evidence shows that the applicant had no corporate connection with this company. Consequently, there is no possible basis on which the applicant can claim the benefit of any goodwill generated by this company.

32. Further, the only fully legible label on LOCH NESS whisky in evidence (which is from after the relevant dates - exhibit ECS06) shows the undertaking responsible for the whisky as The Original Loch Ness Whisky Company Limited.

33. The applicant's pleaded case is that The Original Loch Ness Whisky Company Limited is a wholly owned subsidiary of the applicant. The proprietor's evidence shows that is not the case. In fact, the applicant does not appear to have ever owned shares in the company. The sole connection between them is that Mr Shand has been a director of both companies since May 2009. In his evidence, Mr Shand claims that The Original Loch Ness Whisky Company Limited has been applying and using the LOCH NESS mark under an implied

licence from the applicant since 2008. However, the proprietor's evidence indicates that The Original Loch Ness Whisky Company Limited filed dormant company accounts between 2009 and 2016, i.e. in the years leading up to the relevant dates. At the very least, this called for an explanation from Mr Shand. However, the applicant chose not to file evidence in reply. Instead it provided written submissions in reply from the applicant's legal representative. According to these submissions, Mr Shand, in his capacity as a director of The Original Loch Ness Whisky Company Limited, granted the applicant an implied licence to use the mark. As the proprietor's representative has pointed out, this attempt to reconcile the applicant's position with the publicly available facts turns the applicant's original account of the relationship between the owner and user of the unregistered mark on its head. Further, if the applicant wanted to amend its case in this respect it should have (a) applied to amend its pleadings, and (b) filed evidence in reply from Mr Shand, or from someone else with direct and contemporaneous knowledge of this matter, explaining the true user/owner position. This is all the more so since the evidential challenge to clearly show who had been using the mark and who had acquired the resulting goodwill (if any) was clearly signposted from the outset in the proprietor's counterstatement.

34. Absent an agreement, ownership of goodwill is a question of fact: who would the public regard as the person responsible for the goods/services offered under the mark? If LOCH NESS whisky was marketed as a product of The Original Loch Ness Whisky Company Limited, then (absent an agreement in the applicant's favour) that company would own any goodwill generated under the mark.

35. Therefore, if the applicant's representative's account of the user/owner position is to be believed, i.e. The Original Loch Ness Whisky Company Limited is the owner of any goodwill generated by use of the mark by the applicant, then the applications must be rejected. This is because Article 5 of the Relative Grounds Order 2007 only permits applications under s.47(2)(b) from "the proprietor of the earlier right." It is true that the proprietor of an earlier right is defined in s.5(4) of the Act as a person "entitled to prevent the use of a trade mark." However, this would not include the applicant simply because it and The Original Loch Ness Whisky Company Limited have one director in common. Granting a 'licence' to use an unregistered mark is no more than agreeing to refrain from suing the 'licensed' user for passing off. Such a 'licence' would not usually give the 'licensee' a right to sue for passing off. Consequently, if the owner of any goodwill is The Original Loch Ness Whisky Company Limited, then the applications must be rejected because they were brought in the wrong name.

36. I have not forgotten that Mr Shand provides sales data for LOCH NESS whisky which he says comes the applicant's sales ledger. Given his apparent difficulty in distinguishing between the activities of the applicant and those of The Original Loch Ness Whisky Company Limited, I approach his evidence on this point with caution. In any event, the mere fact that sales data was entered in the applicant's sales ledger does not mean that the relevant public would have perceived the applicant as being responsible for LOCH NESS whisky. For example, if the marketing and sales invoices (as well as the whisky bottles) bore the name of The Original Loch Ness Whisky Company Limited, the public would have regarded that company as the owner of any goodwill generated by the sales.

> Unfortunately, the applicant has not filed any marketing material for LOCH NESS whisky which pre-dates the relevant dates (except ECS01, which is irrelevant), and nor has it provided copies of sales invoices to any customers. Therefore, it is not possible to look at the sales material from a customer perspective in order to identify the owner of any resulting goodwill.
>
> 37. I conclude that the applicant has not shown that it is the owner of any goodwill generated under the name LOCH NESS in relation to whisky. This is sufficient reason to reject the applications on this basis alone."

Standard of appeal

27. This appeal is by way of review of the Hearing Officer's decision. Neither surprise at a Hearing Officer's conclusion, nor a belief that he or she has reached the wrong decision suffices to justify interference in this sort of appeal. Before that is warranted, it is necessary for me to be satisfied that there was a distinct and material error of principle in the decision in question or that the Hearing Officer was wrong. The relevant principles were set out in *TT Education Ltd v Pie Corbett Consultancy* [2017] RPC 17 by Daniel Alexander QC sitting as the Appointed Person at [14]-[52] and his conclusions were approved by Arnold J in *Apple Inc v Arcadia Trading Limited* [2017] EWHC 440 (Ch). Mr Alexander QC said in particular that:

> "… In the case of a multifactorial assessment or evaluation, the Appointed Person should show a real reluctance, but not the very highest degree of reluctance, to interfere in the absence of a distinct and material error of principle. Special caution is required before overturning such decisions. In particular, where an Appointed Person has doubts as to whether the Registrar was right, he or she should consider with particular care whether the decision really was wrong or whether it is just not one which the appellate court would have made in a situation where reasonable people may differ as to the outcome of such a multifactorial evaluation (*REEF*, *BUD*, *Fine & Country* and others)."

28. Subsequently, the Supreme Court in *Actavis Group PTC v. ICOS Corporation* [2019] UKSC 1671 dealt with the role of the appellate court at [78] to [81]. Lord Hodge said:

> "78. … Where inferences from findings of primary fact involve an evaluation of numerous factors, the appropriateness of an intervention by an appellate court will depend on variables including the nature of the evaluation, the standing and experience of the fact-finding judge or tribunal, and the extent to which the judge or tribunal had to assess oral evidence: *South Cone Inc v Bessant* , *In re Reef Trade Mark [*2002] EWCA Civ 763; [2003] RPC 5 , paras 25-28 per Robert Walker LJ.

…

> 80. What is a question of principle in this context? An error of principle is not confined to an error as to the law but extends to certain types of error in the application of a legal standard to the facts in an evaluation of those facts. What is the nature of such an evaluative error? In this case we are not concerned with any challenge to the trial judge's conclusions of primary fact but with the correctness of the judge's evaluation of the facts which he has found, in which he weighs a number of different factors against each other. This evaluative process is often a matter of degree upon which different judges can legitimately differ and an appellate court ought not to interfere unless it is satisfied that the judge's conclusion is outside the bounds within which reasonable disagreement is possible. …
>
> 81. Thus, in the absence of a legal error by the trial judge, which might be asking the wrong question, failing to take account of relevant matters, or taking into account irrelevant matters, the Court of Appeal would be justified in differing from a trial judge's assessment of obviousness if the appellate court were to reach the view that the judge's conclusion was outside the bounds within which reasonable disagreement is possible. It must be satisfied that the trial judge was wrong …"

29. I have kept these principles in mind on this appeal.

The Appellant's criticisms of the Hearing Officer's Decision

30. It was stressed in the Appellant's Skeleton that the Appeal is run as a standalone appeal even without recourse to the fresh evidence, but it is fair to say that the centre of gravity of the Appeal, as developed in the Grounds of Appeal and the Appellant's Skeleton, is based upon the fresh evidence being admitted.

31. It is not easy to identify from the Grounds of Appeal any specific errors of principle in the Hearing Officer's Decision. The criticisms which are made are at a relatively high level. I have done my best to distil them into the following points:

    31.1. He was perversely unwilling to give proper and due weight to the first hand evidence of Mr Shand who 'was accepted as having the relevant experience to speak with authority on behalf of the Applicant'.

    31.2. He set an unfairly high burden of proof;

    31.3. His conclusions were perverse and contrary to any reasonable and objective analysis of the facts of the case;

    31.4. The Decision is wrong and/or unjust.

32. In both written and oral submissions, much stress was placed on the fact that Mr Shand was 'a respected figure in the Scotch whisky industry' and there was 'no cause for doubting his sworn testimony' which had not been challenged by way of cross-examination. I do not doubt Mr Shand's standing and experience in the industry, but he does not profess to have any experience which might bear on the issue of entitlement to goodwill. Furthermore, as Mr James pointed out, Mr Shand seems to have some difficulty in distinguishing between the activities conducted by different companies as legal entities.

33. Based on the evidence, it seems some (small) sales of LOCH NESS whisky were made to traders in the UK by the Applicant. But on this evidence, the Applicant was effectively a wholesaler who also applied the mark on behalf of the Original Loch Ness Whisky Company. The only exhibit which shows a clear image of the labelling is ECS06, where the label of the five year old blended whisky clearly indicates it is a product of 'The Original Loch Ness Whisky Co. Ltd.', so consumers would understand that company as the source whatever the route the product took to reach them. Leaving aside conclusory statements in Mr Shand's witness statement (which bear no weight), the objective facts are tolerably clear. I find there is nothing in any of the Applicant's criticisms. Mr James conducted a careful and measured review of the relevant materials. I was unable to find any error in his reasoning which would have entitled me to intervene. I agree with his reasoning and his conclusion.

The fresh evidence which is sought to be admitted on Appeal.

34. The fresh evidence is lengthy, but can be divided into the following categories:

    34.1. Various statements of shock and amazement that the Hearing Officer did not accept the evidence in Mr Shand's first witness statement, coupled with assertions that they believed his evidence to be sufficient to substantiate the Applications (Mr Shand, Mrs Shand, Mr Vettese) and that therefore they could not reasonably have been expected to foresee that Mr James 'would not give suitable and appropriate weight to a sworn statement from the Chairman of Duncan Taylor, an acknowledged expert on the Scotch whisky industry.'

34.2. Numerous exhibits to show that the Applicant (other companies as well) was engaged in various *marketing* and *sales* efforts concerning LOCH NESS whisky (Mrs Shand, MZS-1 to MZS-29).

34.3. Exhibits of the invoices which were summarised in Mr Shand's exhibit ECS08 (in the original evidence) (Mrs Shand, MZS-30 to MZS-40);

34.4. Further detail (from Mr Shand) of the history of the various companies involved.

35. For the moment, I will concentrate on anything in the fresh evidence which bears on the issue of which company owns the goodwill. In this regard, the key paragraphs from Mr Shand's second witness statement are these:

> "5. The Original Loch Ness Whisky Company Limited, which is registered in Scotland under Company Number SC342695, was formed on 12 May 2008 by myself, Chairman and co-owner of Duncan Taylor, together with Mr Peter Greinig and Mr Alan Snelling. Mr Greinig and Mr Snelling, together with Mr Murdo Campbell, were former Company Officers of Loch Ness Whisky Company Limited, which was registered in Scotland under Company Number SC166584. Loch Ness Whisky Company Limited was formally dissolved on 19 February 2010 when Mr Campbell stepped down from Loch Ness Whisky Company Limited, and was replaced by Original Loch Ness.
>
> 6. In order to avoid any confusion with the earlier company, and to make the trade and public aware of the change in ownership, the directors of Original Loch Ness decided that the new company would be called 'The Original Loch Ness Whisky Company Limited'.
>
> 7. Original Loch Ness contracted Duncan Taylor to apply the mark LOCH NESS to Scotch whisky and to sell LOCH NESS Scotch whisky, together with other alcoholic beverages and spirits, such as gin, under a verbal agreement between the Directors of Duncan Taylor and Original Loch Ness. The agreement began in May 2008 from the inception of Original Loch Ness, and is still in place. In the close-knit whisky sector in Scotland, practices are old-fashioned, and such verbal agreements are common. An agreement is generally only formalized is there is a reason for doing so, such as to show investors. There was no specific reason at the time to believe that a formal agreement would be necessary for the joint venture."

36. Mr Shand returned to the topic of the agreement in his paragraph 23, where he also addressed for the first time the point that The Original Loch Ness Whisky Company Limited had filed dormant accounts throughout the relevant period. Leaving aside his conclusory assertions, the relevant part is this:

> "There was an agreement between the Directors of Original Loch Ness that was based on royalties from the sales of LOCH NESS whisky by Duncan Taylor being paid to the Directors on an ad hoc basis. A dormant company, such as Original Loch Ness, can only file dormant accounts until there is physical trade by that company, or there is a monetary transaction. The Directors may chose to place this on public record or not. Thus, what the public record states, and upon which much emphasis has been placed by Loch Ness Spirits and Mr James, is not necessarily reflective of the market position and customer perception."

37. I can leave aside many of the issues which are raised by this evidence. On the key point, however, far from establishing that the Applicant is the owner of any goodwill generated by the trading in the UK in LOCH NESS whisky, these paragraphs from Mr Shand in the fresh evidence confirm that Mr James' conclusion was correct. Royalties paid under a license arrangement normally accrue to the owner of the goodwill. These paragraphs also explain perhaps why the Application to invalidate was not brought in the name of 'Original Loch Ness' and why the Application was not brought by the Applicant and 'Original Loch Ness' jointly (due, I suspect, to the difficulties which stemmed from the fact that that company had always filed dormant accounts). They also confirm that Mr Shand has a seriously mistaken view of his duties as a director. Any royalties paid by Duncan Taylor under this verbal license agreement ought to have been paid to 'Original Loch Ness' and to have featured in its accounts, before any dividends were paid to any of the directors (assuming they were also the shareholders of the company). What was not permissible was to have those royalties paid directly to the directors.

38. In addition, I draw attention to Exhibit MZS-16 which shows 3 labels from the 2015 rebrand. These all clearly indicate that the source is 'The Original Loch Ness Whisky Co. Ltd.' When exhibiting these labels, Mrs Shand said 'As noted above, the label includes reference to Original Loch Ness to ensure continuity of the heritage of the brand, as is customary in the industry.' This confirms that the labelling, both before and after the 2015 rebrand, identified that company as the source of the product. Mrs Shand goes on to point to the address underneath as being 'Huntly, Scotland, AB54 8HB' and she says that 'gives effective traceability to Duncan Taylor, this being our address.' Her point goes nowhere. To the consumer this address is given on the label as being the address of the Original Loch Ness Whisky Co. Ltd.. Thus, the few trade purchasers knew to obtain supplies of LOCH NESS whisky from the Applicant. However, ordinary consumers (and probably the trade as well) would identify The Original Loch Ness Company Limited as being responsible for the product, due to its presentation. In this type of case, ordinary consumers are key.

39. For these reasons, whether I admit the fresh evidence or not, the Appeal fails. Accordingly, it is not necessary for me to grapple with the second issue as to whether the evidence as to the level of sales of LOCH NESS whisky in the UK prior to any of the relevant dates was reliable enough and whether it established goodwill which was 'trivial' or substantial enough to found a cause of action in passing off. Equally, it is not necessary for me to deal in detail with the question of whether the fresh evidence should be admitted or rejected. In this case a number of the basic *Ladd v Marshall* factors were unusual:

    39.1. All the fresh evidence (leaving aside that directed at trying to persuade the Tribunal to admit the evidence) could have been adduced in the original evidence round(s). So the Appellant failed on the first *Ladd v Marshall* factor.

    39.2. As to the second – that the evidence must be such that it would probably have an important influence on the result of the case – it usually means in favour of the party applying to adduce the new evidence. In this Appeal, as I have indicated, the fresh evidence which went to the critical first issue of entitlement established the opposite of what the Appellant intended. Some of the remainder did make the evidence of sales more reliable but confirmed the level of sales in the UK was very small.

    39.3. As to the third – that the evidence must be apparently credible – there remain a number of issues about Mr Shand's evidence relating to entitlement. As can be seen from what I have explained above, the evidence he gave in paragraph 3 of his first witness statement was indeed turned on its head. However, the account given in his second witness statement was consistent with other objective evidence, in particular the presentation of the product and so was credible.

    39.4. If the fresh evidence had cast any doubt on the Hearing Officer's decision on entitlement to goodwill, then it would have been necessary to remit the case to the UK IPO for a new hearing and it is likely that cross-examination might well have been a part of such a new hearing.

40. Notwithstanding those observations, I wish to make two matters clear.

41. First, in my view the Appellant's submission that the Appointed Person has a 'broad remedial discretion' to admit fresh evidence on appeal is contrary to authority – see Consolidated Developments Ltd v Cooper [2018] EWHC 1727 at [33] vi).

42. Second, in its application to adduce the fresh evidence on appeal, the Appellant fastened on one aspect of the decision of the Appointed Person (Mr Daniel Alexander QC) in the *Gucci* case (O-424-14), where, whilst stressing the unusual circumstances of the case, he allowed an application to introduce new evidence on appeal and remitted the case to the Registry. One of a number of factors which he took into account was expressed by him as follows at [28]:

> "… it is not seriously in dispute that the reason the evidence was so poor previously was that the proprietor thought, on the basis of advice from its then solicitors, that it would be able to fill any gaps with later filed evidence and indeed attempted to do so, albeit in a way that was not best calculated to lead to a favourable decision from the Registrar (see below).'

43. This single factor should not be taken as a panacea which will solve difficulties created by not filing evidence setting out a party's best case up front – which remains the applicable principle. The Appellant in this case appeared to regard this factor as its best point which resulted in many paragraphs in the fresh evidence about the professional adviser's views as to the sufficiency of the original evidence, the lack of any need to file evidence in reply, and the expressions of shock and amazement at the Hearing Officer's decision. All of this evidence was a waste of time, being based on a misunderstanding of the effect of the Applicant's original evidence, a misunderstanding of the applicable principles as to entitlement to goodwill and an inability to understand that conclusory assertions carry no weight.

44. In case it needs spelling out, in my view the party to the proceedings must take responsibility for the evidence it files. If it later discovers it failed to file its best evidence up front, an ability to blame that on its advisers should not be regarded as providing a reason for better evidence to be introduced on appeal.

45. For all these reasons, I dismiss the Appeal.

Costs

46. The Hearing Officer made an award of £3,200 as a contribution towards the costs of the Proprietor. So far as the costs of the Appeal are concerned, the Proprietor had to assimilate and respond to the fresh evidence (which was far lengthier than the Applicant's original evidence) within a very short space of time, as well as deal with the Appeal absent the fresh evidence issues, prepare a skeleton argument and attend the relatively long hearing. I also

bear in mind the extraordinary conduct of the Applicant in delaying the service of the fresh evidence until the last possible moment, when in reality the fresh evidence could and should have been served at the same time as the TM55 or within a very short time thereafter. I propose to award the Proprietor £3,000 for considering the fresh evidence and filing evidence in response and £1,000 for considering the Appellant's Notice, filing its Respondent's Notice, preparing its Skeleton Argument and attending the hearing.

47. Therefore, the Appellant/Applicant must pay to the Proprietor the total sum of £7,200 (being the combination of the award made by the Hearing Officer and my award in respect of the Appeal) on or before Monday 19th October 2020.

JAMES MELLOR QC
The Appointed Person
28th September 2020