

O-500-13

TRADE MARKS ACT 1994

In the matters of application no 2601593

by Rackit Ltd

to register the trade mark:

RACKIT

and the opposition thereto under no 103156

by Redirack Limited

and

application no 2611356

by Redirack Limited

to register the trade marks (a series of two):

RackIt

RACKIT

and the opposition thereto under no 103667

by Rackit Ltd

Mr Thomas St Quintin, of counsel, (instructed by MacRoberts LLP) appeared on behalf of Rackit Ltd.

Mr Tom Alkin, of counsel, (instructed by Jensen & Son) appeared on behalf of Redirack Limited.

Hearing date: 25 November 2013.

1) These proceedings concern oppositions brought by Rackit Ltd, hereafter Irvine, and Redirack Limited, hereafter Redirack, to the registration of each other's applications. Irvine's application is the earlier. It was filed on 17 November 2011 and published on 23 December 2011 for:

shelves of metal [structures]; pallet racks of metal; lockers of metal; storage units of metal for use in trucks; partitions of metal; sheet metal partition walls; mezzanine floors of metal; shelters and structures of metal; metal storage apparatus and structures; wheels and castors of metal; articles made of common metals for lifting loads; steps of metal; ladders of metal; forklift cages of metal; scaffolding towers of metal; work platforms of metal; display apparatus of metal; bins of metal; metal traffic control ramps; traffic signs of metal (non-metallic, non-luminous and non-mechanical-); traffic control constructions of metal; signs and display signs, non-luminous and non-mechanical, of metal; metal barriers; gates of metal; posts of metal; metal storage cans and cylinders; tote pan racks of metal; letter racks and carton stands of metal; aluminium tubing; storage tanks of metal; parts and fittings for all the aforesaid goods;

shelves for storage; shelving units; wall shelves [structures] of non-metallic materials; non-metallic pallets; lockers; work benches; trolleys [furniture]; article storage apparatus [furniture]; wheels and castors not of metal for furniture; workshop furniture; office furniture; steps and ladders not of metal; work stations [furniture]; display racks, furniture, counters, shelves, frames and screens; bins, not of metal; tanks, not of metal; parts and fittings for all the aforesaid goods;

installation of shelving; building construction; repair; installation services; hire and rental of cleaning and janitorial equipment; information, advice and consultancy in relation to all the aforesaid services;

hire of pallet racks; transport; packaging and storage of goods; facilities management, namely sorting and delivery of mail and waste disposal [transportation]; information, advice and consultancy in relation to all the aforesaid services.

The above goods and services are in classes 6, 20, 37 and 39 respectively of the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised and amended.

2) Redirack's application was filed on 22 February 2012 and it was published on 15 June 2012 with the following specification:

storage apparatus and installations; shelving, racks, pallet flow racks, racking, pallet racking systems and accessories; sectional units for shelving and for racking, rails, cantilevered rails and tracks for the aforesaid goods; framing fixtures and frame supports; racking frames and frame supports; frames for use

in constructing storage racks; decks for mezzanine and for catwalks; bins made of metal; panels made of metal; containers; partitions; guard rails; stairs and ladders; pallets; castors, constructions systems; catwalks; wheeled pallets, benches, mountings, security caging, fire cavities, support frameworks and slotted angles and frames for use in the construction of the aforesaid goods; metallic building materials, including doors, transportable metallic constructions; metallic ironmongery and locksmithing articles; parts and fittings therefor,

paper, cardboard and goods made from these materials, not included in other classes; Printed matter; Periodicals and newsletters; Photographs; Stationery; Instructional and teaching material (except apparatus); Plastic materials for packaging (not included in other classes).

The above goods are in classes 6 and 16 respectively of the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised and amended.

3) Redirack's opposition is based on sections 3(6) and 5(4)(a) of the Trade Marks Act 1994 (the Act).

4) Section 3(6) of the Act states:

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

Section 5(4)(a) of the Act states:

“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”.

The principles of the law of passing-off were summarised by Lord Oliver in *Reckitt & Colman Products Ltd v. Borden Inc* [1990] RPC 341 at page 406:

“The law of passing off can be summarised in one short, general proposition: no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or trade description, or the individual features of labelling or packaging) under which his particular goods or services are

offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. ... Thirdly he must demonstrate that he suffers, or in a *quia timet* action that he is likely to suffer, damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff."

5) Redirack claims that it is one of the United Kingdom's leading manufacturers of racking "as well as other products such as mezzanine floors". It claims that since 1991 it has published a trade magazine called Rackit which is distributed to the racking industry and "is viewed as the industry standard publication". Redirack claims that 50,000 copies are produced of each edition. It states that the "majority of these are distributed with the trade magazines". Redirack claims that each edition of Rackit is also distributed directly to around 2,000 companies. It claims that the "journal" is regarded as the leading reference for health and safety information in the industry. Redirack claims that owing to the use made of Rackit since 1991, it has established valuable goodwill in the racking industry. Redirack claims that Irvine's specification covers a wide range of racking, goods similar to racking and services associated with the use and installation of racking. Redirack claims that a misrepresentation is being made that the goods of Rackit are in some way connected with Redirack; it claims that this is inevitably damaging to its goodwill. Consequently, it considers registration of Irvine's application for all of the goods and services would be contrary to section 5(4)(a) of the Act.

6) Redirack claims that the managing director of Irvine is Mr Jim Ferguson, who is also a 50% shareholder in the company. It claims that Mr Ferguson is a former employee of Axis & Axis Trading Limited. Redirack claims that Axis & Axis Trading Limited is a distributor of the goods of Redirack and also assists in the production of the Rackit magazine. Redirack claims that Mr Ferguson would have been aware of its use and reputation in the name Rackit at all times. Redirack claims that when adopting the Rackit name, Irvine issued a circular to the industry which included the statement:

"With this focus, from effect from 1 November 2011 Advanced Storage Systems Limited has changed its name to Rackit Ltd. This name change will provide the business with a very strong Brand that we can build on."

Redirack claims that Irvine appears to be trying to appropriate the Rackit name in the industry. Redirack claims that, consequently, the application of Irvine was filed in bad faith and registration of the application would be contrary to section 3(6) of the Act.

7) Irvine does not admit the status of Redirack as a leading manufacturer of racking nor that Rackit has been used since 1991 in relation to a publication. Irvine disputes that the publication is an industry standard publication. It claims that the industry standard publications in respect of the pallet racking industry are produced by the Storage Equipment Manufacturer Association (SEMA), the SEMA Distributor Group (SDG) and the Storage Handling Equipment Distributors Association (SHEDA). Irvine claims that the claim that the publication produced by Redirack is deemed to be an industry standard publication is inaccurate and misleading. Irvine neither admits nor knows of the circulation figures of the publication. Irvine states that it understands that Redirack “has issued editions of the newsletter using the Trade Name only on a bi-annual basis e.g. only every six months”. Irvine disputes that the publication is regarded as the leading reference for health and safety in the industry. It claims that Redirack’s website features references to health and safety booklets which it provides to customers but it does not appear to contain any reference to RACKIT.

8) Irvine submits that there is little, if any, goodwill established in relation to the use of RACKIT by Redirack; the name appears on the publication as Rack It. Irvine denies that Redirack has any goodwill in relation to RACKIT for the goods and services of its application.

9) Irvine claims that its application was made in good faith for legitimate business purposes as part of “a total and formal rebranding exercise”. It claims that it has been operating an online eBay retail outlet since 2006 under the trade mark and continues so to do. Irvine claims that it registered the domain name rackit.co.uk in October 2008 and changed its name to Rackit Limited on 1 November 2011. Irvine claims that its use of the trade mark since 2006 has created significant goodwill and considerable reputation in connection with the provision of pallet racking and storage solution services.

10) Irvine denies that Mr Ferguson assisted in the production of Redirack’s publication. It denies that Mr Ferguson has ever been employed by Axis & Axis Trading Limited. Irvine claims that Mr Ferguson was employed by Axis Scotland Limited as a sales manager from 1992 – 2004 and that at no time did he have any dealings with Redirack in relation to the publication.

11) Irvine claims that:

“As a result of the lack of confusion evidenced in the Opposition and the fact that it is highly unlikely confusion would arise in the future as a result of the distinctive businesses of the Applicant and the Opponent it is incorrect, inaccurate and misleading to contend that the Mark should be refused under Section 5(4)(a) of the Trade Marks Act 1994.”

12) Irvine denies that the application was made in bad faith. It submits:

“The fact that Mr Ferguson held a position at Axis is not relevant and the exercise by him of his genuine and valid rights to use and protect the Mark thereafter does not constitute bad faith.”

13) Irvine’s case is based on sections 3(1)(a), 3(6), 5(1), 5(2)(a), 5(3) and 5(4)(a) of the Act.

14) Section 3(1)(a) relates to signs which cannot constitute a trade mark. As Arnold J held in *Stichting BDO and others v BDO Unibank, Inc and others* [2013] EWHC 418(Ch), this part of the Act relates to signs incapable of distinguishing any goods or services. On the basis of the pleadings and the evidence there is no basis for such a claim.

15) Sections 5(1) and 5(2)(a) of the Act state:

“5. - (1) A trade mark shall not be registered if it is identical with an earlier trade mark and the goods or services for which the trade mark is applied for are identical with the goods or services for which the earlier trade mark is protected.

(2) A trade mark shall not be registered if because –

(a) it is identical with an earlier trade mark and is to be registered for goods or services similar to those for which the earlier trade mark is protected

.....there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.”

Section 5(3) of the Act states:

“(3) A trade mark which –

(a) is identical with or similar to an earlier trade mark, shall not be registered if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom (or, in the case of a Community trade mark or international trade mark (EC) in the European Community) and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.”

In relation to sections 5(1), 5(2)(a) and 5(3) Irvine relies upon its trade mark application. For the purposes of section 5(3) of the Act, it claims that it has a reputation in respect of all of the goods and services of its application.

16) In relation to section 5(4)(a), Irvine claims that it has used the sign RACKIT since 2006 in relation to an eBay retail outlet and has continued to use the sign on eBay “and subsequently as the main brand of Rackit Limited ever since the re-branding exercise in November 2011”. It claims that it has used the sign in relation to all of the goods and services of its application.

17) Irvine claims that Redirack’s application was made in bad faith as it was filed only three months after the filing of its application and that Redirack was fully aware of its earlier rights at the date of filing.

18) Irvine claims that its trade mark enjoys significant goodwill and recognition in the United Kingdom in relation to pallet racking and storage solution services.

19) Redirack denies the grounds of opposition.

Parameters of the considerations

20) At the hearing counsel adopted a common approach in relation to the cross-oppositions. They agreed that the proceedings would turn upon the opposition brought by Redirack. If Redirack were successful then Irvine’s application would fail. If Irvine succeeded, the class 6 specification of Redirack’s application would fail but the application could be registered in class 16. At the hearing the concentration was on the claim of passing-off made by Redirack, although the bad faith objection was still in play.

Evidence

21) The main witnesses in these proceedings, who were all called for cross examination, are:

Jim Ferguson – founder, director and shareholder of Irvine;

Douglas Yates – director and shareholder of Irvine;

James Young – currently working with Irvine;

Andrew Forsythe – managing director of Redirack;

Phil Culling – chairman of Redirack;

Ray Phelan – group sales director of Redirack.

22) In 2003 there was a management buy-out of Redirack from Dexion Group; prior to this Redirack had been an independently and profitably operating subsidiary within the Dexion Group. Mr Forsythe states that Redirack is one of the United Kingdom’s leading manufacturers of racking and mezzanine floors. Exhibited at AF1 is a copy of the directors’ report and financial statements for the year ended 31 December 2011. The turnover for the years ended 31 December

2010 and 2011 was respectively: £8,465,353 and £11,196,223 (included in the 2011 figure are sales to Europe of £278,749).

The Rack It publication

23) Redirack have challenged the description by Irvine of the publication as a newsletter. The producers of the publication describe it in this fashion (eg AF10 page 2) and it is described by this term within the publication (eg AF2 page 34). How the publication is described has no effect on the outcome of these proceedings. (It is also referred to as the house magazine of Redirack (AF2 page 13).) The publication was first published in December 1991 (AF2 page 34). The publication was at one time issued 3 times a year (AF2 page 11) and then twice a year and then once a year. There have been no new editions of Rack It since 2009 (second statement of Mr Ferguson paragraph 3). However, in his first statement of 15 October 2012, paragraphs 3 and 5, Mr Forsythe writes of the publication in the present tense and the definite impression of his statement is that the publication was still being issued. This is also the purport of paragraph 1 of the statement of grounds. Mr Forsythe made the admission that the publication had not been issued since 2009 consequent upon the first witness statement of Mr Ferguson (paragraph 20). Mr Ferguson believes that the Rack It publication has been superseded by a publication with the title, *Redizine*. Mr Ferguson states that he attended IMHX in Birmingham in March 2013. Mr Ferguson saw the two large stands of Redirack at the exhibition and states that no copies of Rack It were on display on the stands. Mr Yates states the same as Mr Ferguson in relation to IMHX 2013.

24) Mr Ferguson states that there is no reference to Rackit on Redirack's current website. Undated screenshots from redirack.co.uk are exhibited at JF9. There are references to the Redirack group of companies: Redirack, Redifloor, Redifit and Redibuild. The pages include information about Redirack pallet racking, Redifloor mezzanine floors, Redifit refurbishment and fit-out services and Redibuild industrial and commercial buildings. Page 7 of the exhibit makes a reference to a fifth business: RediTechniX. Page 8 refers to various RediGroup brands: RediAngle, RediLogiX, RediShelf, RediShop, RediShuttle, RediStore, Sacrificial Leg and RediStor. Exhibited at JF10 are details of five trade mark registrations of Redirack: REDIRACK, REDIANGLE, REDISHELF, REDIBUILD and REDIFIT; details of the RackIt application are also included.

25) In his first witness statement, Mr Forsythe (at paragraph 5) quotes virtually verbatim from Rack It 40:

“As well as trumpeting our sales successes we also use RackIt as a means of providing knowledge to those people who are interested or involved in storage systems: The safest and most efficient means of using pallet racking in a modern warehouse or distribution centre. This has led us to feature articles about warehouse floors, installation standards and pallet design, amongst other things, and over the years these articles have

become a valuable reference library. They form one of the most frequently visited sections of our web site.”

26) The publication was produced by Axis Trading Limited which was responsible for the “design, origination & print of Redirack newsletter” (AF10). AF10 contains invoices from Axis Trading Limited. The invoices give information (sometimes) about the number of copies produced and the dates of production in relation to issue numbers (Reference is made to Rack It and RackIt in the invoices):

31 January 2003 & 28 February 2003 – Rack It 30 - both for £11,750 including VAT.

30 September 2003 – RackIt 31 - £23,500 including VAT.

30 April 2004 – RackIt 32 – 50,000 copies - £23,500 including VAT.

31 October 2004 – Rackit 33 – 30,000 copies - £17,701.38 including VAT.

31 August 2005 – Rack It 35 - 51,000 copies - £12,755.80 including VAT.

31 March 2006 – Rack It 36 – 58,000 copies - £26,822.90 including VAT.

25 & 30 September 2006 – RackIt 37 – both for £13,512,50 including VAT.

31 March 2007 - Rack It 38 - £29,172.90 including VAT.

13 December 2007 – “design, origination & print of Redirack newsletter” – RackIt 39 – 57,000 copies - £28,163,58 including VAT.

24 October 2008 – RackIt - 55,000 copies - £29,926.08 including VAT.

27) Mr Forsythe estimates that Redirack spends (in the present tense) between £80,000 and £100,000 annually in producing the publication (first witness statement paragraph 3). These figures, even without deducting recoverable VAT, do not tally with the invoices from Axis Trading Limited.

28) Copies of issues 1, 14, 20, 22, 23, 36 and 40 have been adduced into the proceedings. The issues for the most part follow a similar pattern. A front page showing what is in the publication, several pages about installations made by Redirack, information about the Rack It club and sometimes a final page in relation to a technical topic eg AF2 page 6; although such pages are headed “Technical Topics” the information is very basic and it is difficult to envisage that it would be of much interest or use to someone with a knowledge of racking and pallets¹.

29) On 25 April 2013 Mr Ferguson received a copy of Rack It issue 41 by email (exhibit JF21). Mr Ferguson states that he was surprised to receive the email as he has never consented to Redirack using his details for emails.

¹ eg AF2 page 6 gives details of the dimensions of pallets and explains the parts of a pallet; someone in the trade could be assumed to be aware of such matters.

30) Mr Forsythe states that Rack It “is viewed as the industry standard publication” (paragraph 3 of his first witness statement). Mr Yates, as an experienced member of the industry, does not consider Rack It a “leading reference for health and safety information in the racking industry” as claimed by Redirack.

31) Mr Forsythe states that old editions of Rack It are used as current sales aids “as the contents are still directly relevant”. He estimates that between 10% and 20% of Redirack’s current sales are supported by use of the Rack It publication. Mr Forsythe states that Rack It is supplied to its direct sales staff and also to indirect re-sellers who may wish to sell Redirack’s products as part of a package. He states that Rack It was distributed through, inter alia, *Logistics Manager*, which typically has a print run of 14,000; through *Warehouse & Logistics News*, which typically has a print run of 7,500, and through *Warehouse*, which typically has a print run of 2,000. Exhibited at AF11 are emails from Axis Trading Limited dated 28 March 2007, 10 November 2006 and 28 August 2002 in relation to edition nos 38, 37 and 29 of Rack It respectively. The publication was included in *SHD*, *Warehouse*, *Warehouse & Logistics News*, *Logistics & Transport Focus*, *Food Manufacturer*, *Frozen and Chilled Foods*, *UKWA*, *Logistics Manager*, *Health & Safety Matters* and *Builder & Engineer*. (According to the first email, *Warehouse & Logistics News* had a print run of 7,300.) Mr Culling states that Rack It was distributed to about 2,000 companies on Redirack’s distribution list; including warehouse managers with Tesco and Asda. He states that Rack It was also distributed via Redirack’s own distributor network, which has always comprised about 22 distributors located throughout the United Kingdom.

32) Mr Forsythe states that the “new” website of Redirack does not have downloadable copies of Rack It but that the version of the website available until November 2012 did and had a location for Rack It. Exhibited at AF13 are pages from the download library of redirack.co.uk; included in these is “Rackit Newsletter”. The pages advise that “[t]he latest issues will appear for download very shortly”.

33) Lloyd Arkill is a director of Arkill Matthews Allen, a PR consultancy which specialises in the storage industry; he has held this position since 2006. From 1992 to 2006, Mr Arkill was editor of *Storage Handling and Distribution* magazine (*SHD*); which he states is one of the leading trade journals for storage equipment. Mr Arkill’s company produces several newsletters and trade journals, including the United Kingdom Warehousing Association’s newsletter, *Warehouse*.

34) *SHD* had a typical print run of around 15,000 copies and was distributed to “3rd Party Storage/Warehouse & Storage/Transport; Retail, FMCG & Retail Distribution and Manufacturing/General Engineering”. Smaller numbers of copies were distributed to companies operating in ports, distributors of materials handling equipment, packaging and pharmaceutical businesses. Mr Arkill states that the readership of *SHD* within these companies was quite varied. He states that most readers would be in company management, warehouse and materials

handling management or in the logistics, distribution and transport businesses. Mr Arkill states that *SHD* was also read by people working in supply chain and IT management. He states that surveys conducted at the main industry trade show, IHMX, indicated that two thirds of the attendees regularly read *SHD*. At the time of Mr Arkill's editorship, the Rack It publication was distributed in *SHD* as an inserted pamphlet within the magazine. Mr Arkill states that he was aware that Rack It was widely read in the storage industry and that many firms kept the publication as it was a valuable resource "for certain types of information". Mr Arkill states that "[i]t was not simply a newsletter or advertising for Redirack products. Rackit enjoyed a good reputation, and I believe, was popular with readers of SHD." By Mr Arkill's reference to a newsletter it would appear that he was primed by Redirack in relation to his evidence.

Irvine's change of name

35) Irvine was previously known as Advanced Storage Systems Limited (ASSL), it was incorporated on 4 January 2006. It changed its name to Rackit Ltd in November 2011 (AF6). Exhibited at AF6 is a copy of an e-mail from Donna Herman dated 30 November 2011 which is headed "Exciting news from Advanced Storage Systems Limited". The e-mail includes the following:

"With this focus, from effect from 1 November 2011 Advanced Storage Systems Limited has changed its name to Rackit Ltd. This name change will provide the business with a very strong Brand that we can build on."

(Ms Herman is sales office manager for Irvine.)

36) Mr Ferguson states that the decision to rebrand the rest of the business was undertaken as a result of third party marketing advice. He refers to a witness statement made by Vanetha Cuthbert who, inter alia, simply states that Irvine was keen to develop a strong brand identity both offline and online and that it chose Rackit since it had been used online for a number of years. Mr Ferguson states that Ms Cuthbert highlighted that for the purposes of search engine optimisation purposes the Advanced name was less than ideal due to the use of Advanced which is used by a large number of businesses across a wide spectrum of trade. Mr Ferguson states that Ms Cuthbert advised against continuing to operate under a dual identity. Mr Ferguson estimates that Irvine has spent in excess of £20,000 in rebranding; examples of the rebranding are exhibited at JF6.

Irvine's eBay shop

37) Exhibited at AF5 is seller feedback for the eBay shop. Mr Forsythe states that the shop appears to have been for private use and unconnected to the business of Irvine. He also opines that the low number of entries indicates that no real business is conducted by eBay. The pages from eBay relate to rackit_online. The retailer has been an eBay member since 20 September 2006. It is registered as a business seller. There are seven items of feedback shown

from the period 1 March 2008 to 12 April 2012. There are references to used chairs and new column guards.

38) Mr Ferguson states that Irvine created an online eBay shop called rackit on 20 September 2006 with the user name rackit_storageequipment and then rackit_online. Mr Ferguson states that Irvine has used its eBay shop as a means of reaching a “wider online audience in relation to its provision of bespoke and tailored pallet racking and storage services and solutions”. Mr Ferguson states that a significant number of customers made initial contact via the eBay shop. He states that communications with potential customers included queries in relation to delivery locations, bespoke requirements, product range and pricing. He states that during this period Irvine was known “offline” as Advanced Storage Systems. Mr Ferguson states that the ultimate sales and invoices were completed by Advanced Storage Systems “or the Applicant” as opposed to being sold directly via the eBay shop. He states that the eBay shop has been and continues to be used as a marketing, promotional and “customer generation tool”. He states that a significant number of Irvine’s sales are a direct result of the eBay shop. Exhibit JF3 contains copies of emails. They emanate from between 13 April 2007 and 13 November 2012. The emails, up to the material dates, relate to pallet racking, lockers and a canteen table. Most of the correspondence bears the wording “brand new pallet racking direct to your door”. The emails are addressed to info@advanced-storage.co.uk. There are references to rackit_storageequipment in the correspondence. The email of 26 April 2011 advises the enquirer that the frames being offered are made by Redirack.

39) Mr Ferguson states that the eBay shop is VAT registered, registration no 875355395. Mr Ferguson states that it has been registered as a business on eBay since 2006; he does not state from when it has been VAT registered. In relation to the workings of the eBay shop, material is exhibited at JF4 in relation to an order. Contact was first made through the eBay shop. The proposal, of 17 April 2007, and the invoice, of 27 April 2007, for pallet racking came from Advanced Storage Systems Limited. These documents bear no reference to the eBay shop. The proposal and invoice relate to USSR Ltd. The director of USSR Ltd, Oleh Hodovanets, has made a witness statement. Mr Hodovanets states that at the time of the contract he was aware that Irvine operated under the name Rackit on eBay and as Advanced Storage Systems Limited “offline”.

40) Exhibit JF5 shows that the domain name rackit.co.uk was registered on 2 October 2008; Irvine is recorded as the owner.

41) Mr Ferguson states that the decision to use the name Rackit for the eBay shop was made “entirely independently” from Redirack. He states:

“The idea came to me as a result of a meeting with a potential client at his warehouse premises where he stated *“this is the area and I just want to rack it.”*”

Knowledge of Rack It

42) Redirack has a distribution network to supplement its direct sales team. The distributor in Scotland is Axis Scotland Ltd, for whom Mr Yates worked for 11 years (first statement of Mr Culling paragraph 2 and first statement of Mr Yates paragraph 5). Mr Yates is a director and shareholder of Irvine. He was appointed a director of Irvine on 1 December 2008.

43) From 1989 to 2004 Mr Phelan was managing director of the Redirack distributor in Scotland. From 1989 to 1992 the company was called Axis Storage Equipment Ltd. In 1992 the company collapsed and Mr Phelan led a management buy-out with Jim Young. Mr Phelan left Axis Scotland Ltd in 2004, when he sold his shares. Axis Scotland Ltd was taken over by a shelf company which changed its name to Axis Scotland Ltd. Mr Phelan states that his company changed its name to Axis (TS) Ltd.

44) In the statement of grounds of Redirack and in the first statement of Mr Forsythe, it is stated that Axis Scotland Ltd is a related company to Axis Trading Limited and that Mr Ferguson is a former employee of Axis Trading Limited. Subsequent to Irvine filing evidence to show that there was no link between Axis Trading Limited and Axis Scotland Limited and that Mr Ferguson had not worked for the former company, Mr Forsythe (in his second statement) accepted that there was no link between the two undertakings and that Mr Ferguson had not worked for Axis Trading Limited.

45) Mr Phelan states that as managing director of Axis Scotland he was responsible for employing Jim Ferguson and Douglas Yates on the sales side of the business. He states that, along with Jim Young, they worked for a division of Axis Scotland, called Axis Industrial, which was responsible for sales of racking to industrial customers. Mr Phelan states that the principal supplier of racking for Axis Industrial was Redirack. He states that at Axis he was Mr Ferguson's boss and trained him in sales techniques. Mr Phelan states that he finds it inconceivable that Mr Ferguson can claim that he was unaware of the Rack It publication. He states that it was used as a sales aid. Mr Phelan states that when a salesman is discussing a potential project with a customer, he will often use an edition of Rack It which describes a similar project as an aid to informing the customer about the experience and expertise of Redirack. Mr Phelan states it was common for old editions of Rack It to be used and that Redirack still supplies old issues of Rack It as "current sales guides to its distributors".

46) Mr Ferguson states that it is entirely untrue that he contributed with or directly dealt with the Rack It publication. He states that no evidence has been filed to suggest that he was aware of Redirack's use of Rack It for its publication prior to the setting up of the eBay shop. Mr Yates worked for Axis Scotland Limited for 11 years. He states that it is not inconceivable that he was not aware of Redirack's use of Rackit at all material times as claimed by Redirack. Mr Yates states that during his employment at Axis Scotland "the Newsletter" was not distributed, promoted or used as a sales tool to sales advisors.

47) An article exhibited at RP1 from Rack It contains two quotations from “Jimmy” Young, who is described as the sales director of Axis Scotland. Mr Phelan states that Mr Young was instrumental in having the article appear in Rack It. Exhibited at RP2 is an article from Rack It. Mr Young states that he is Jim or James Young and not the Jimmy Young to whom Mr Phelan refers in his second witness statement and who is quoted in the publication exhibited at RP1. However, in cross-examination Mr Young accepted that he was the person to whom reference was made in the article. However, he stated that he was not aware that the article had been written and that it had included quotations from him. This is quite feasible, as Axis Trading could have telephoned him about the installation referred to in the article and he had not realised that his comments would be quoted.

48) Mr Phelan states that a framed copy of the article has hung on the boardroom wall at Axis since early 2005. Part of the page includes details of the Rack It “club”. He states that the boardroom is used for clients as well as by the board. Mr Phelan states that the two articles were used as sales guides by all of Axis Scotland employees. Mr Phelan states that Mr Ferguson left Axis in May 2004. Mr Phelan states that he has been informed by his successor at Axis that Mr Yates left in October 2005.

49) James Young works for Irvine. He was previously managing director of the storage division of Axis Scotland for 12 years. He states that in the last 10 years he has not seen a copy of the Rack It publication and has not been aware, in this period, of its continued existence. He states that, in his rôle with Axis Scotland, the Rack It publication was never promoted as a sales aid by or for the employees of Axis Scotland.

50) Mr Ferguson states that no copy of Rack It was displayed in the meeting rooms of Axis Scotland. He states that Mr Young and Mr Yates also do not recall ever having seen Rack It displayed in the meeting rooms. Mr Ferguson states that he has spoken to Andrew Dewey, a former salesperson in the industrial racking division of Axis Scotland, who stated that he had never heard of the Rack It publication. Mr Ferguson states that Mr Phelan was not his direct line manager and was not involved in the operation, management or training in the industrial racking sales team. Mr Ferguson states that at no time did Mr Phelan mention the Rack It publication to him or to any of his colleagues. Mr Ferguson states that at no point during his employment with Axis Scotland was he ever trained to use the Rack It publication as a sales aid to selling the products of Redirack nor was such use ever discussed or proposed at monthly sales meetings or at any of the product sessions arranged by suppliers. Mr Ferguson states that approximately 20% of the products sold by Axis Scotland emanated from Redirack. He states that the members of the sales teams never used old Rack It publications as sales tools nor stamped the Axis Scotland name on the publication and distributed them as newsletters. He states that clients would be presented with a quotation together with a brochure of Redirack’s products; a copy of Rack It would never be included.

51) Mr Yates states that it is untrue that a copy of Rack It was displayed in the meeting room of Axis Scotland Limited. He states that when he was employed by Axis Scotland Limited no copy of Rack It was hanging upon the boardroom or meeting room wall. Mr Yates states that Mr Phelan was not his direct line manager and was not involved in the operation, management or training of the industrial racking sales team. Mr Yates states that Mr Phelan was involved in the interior aspect of the business and was based in Edinburgh while the sales team, within which he worked, was based in East Kilbride. Mr Yates states that Alistair Gardner was head of sales and sales training at Axis Scotland and Jim Young was the managing director of the industrial racking division. Mr Yates states that at no time did Mr Phelan or anyone else ever mention the Rack It publication to him. He states that this also applies to his other colleagues at Axis Scotland; but this, obviously, is not within his state of knowledge. At no point during his employment with Axis Scotland was he ever trained to use Rack It newsletters as a sales aid for selling the products of Redirack nor was such use of the newsletters ever discussed or proposed at the monthly sales meetings or any of the product sessions arranged by suppliers. He states that clients would be presented with a quotation together with a brochure of Redirack's products; a copy of Rack It would never be included.

52) Martyn Davidson is principal shareholder and managing director of Perfect Equipment, a supplier of lockers and storage equipment. Mr Davidson worked as a sales person for Axis Scotland for five years until 2003. During his time with Axis he visited the Redirack factory for training and regularly received communications directly from Redirack. Mr Davidson only associates the name Rackit with Irvine. He states that he has never heard of the publication Rack It and had no knowledge of its existence until asked to comment in these proceedings. Mr Davidson states that he has worked in the offices of Axis Scotland. He has no recollection of a copy of Rack It being displayed in the meeting rooms of Axis Scotland during the period in which he was employed by it (this would be prior when it is claimed the publication was displayed in the boardroom.) Mr Davidson states the same as Mr Yates about the position of Mr Phelan in the Axis Scotland business and about the non-use of Rack It as a sales aid.

53) James Young states what Mr Yates and Mr Ferguson have stated about the rôle of Mr Phelan and the non-use of Rack It as a sales aid.

54) Mr Andrew Dewey states that he worked for Axis Scotland for 5 months, until the end of February 2011. He states that he has 1 year's experience working in the pallet racking and logistics industry. Mr Dewey has never heard of the publication Rack It. He states that during his period as a sales team member of Axis Scotland, Rack It was never introduced or discussed as a sales aid. Mr Dewey states that he identifies Rackit with Irvine.

55) Greg Clarke is the owner and operator of GPC Industries Limited, a specialist in access, materials handling and storage equipment. GPC is "involved" with products such as racking, shelving and lockers to a large number of companies

within the storage industry. He identified Rackit with the business of Irvine. He has never heard of the publication Rack It.

56) Barry McGoldrick is operations supervisor of Kinetsu World Express UK Limited, a supplier of air freight and cargo services which require extensive warehousing facilities. He has over 18 years' experience in that industry. He associates the name Rackit with Irvine and had never heard of the Rack It publication. He states that KWE had a turnover of approximately £51 million in 2011.

57) Russell Cohen is managing director of Benchmark Packaging Limited, a "contract packaging company". He has ten years' experience in the packaging sector. He used Advanced Storage Systems Limited to install pallet racking in his premises in 2006. He identifies the name Rackit with Irvine. He has never heard of the Rack It publication.

Claims of confusion or absence of confusion

58) Mr Forsythe states that after the sending of the email exhibited at AF6 (re the change of name to Rackit Ltd) he was contacted by a number of people in the racking industry asking what the connection between Redirack and Irvine was. He states that, in particular, at the MultiModal Trade Show in the Birmingham NEC, from 1 to 3 May 2012, he and his colleagues on Redirack's stand were asked by a number of people what the connection between Redirack and Irvine was.

59) In his witness statement, John Wiffill states that he is the managing director of Logistical Planning and Design Ltd. Logistical Planning and Design Ltd is a specialist design and build company for fitting out warehouses and offices. It has been trading for over 8 years and fits out premises with racking, shelving, lighting, sprinkler systems and partitioning. Its clients include: Chesapeake Corp, Coca-Cola, Pets at Home, DHL, Stanley, Disney and CML PLC. Logistical Planning and Design Ltd use racking supplied by a number of companies, including Redirack. Mr Wiffill states that the Rack It publication is well-known in the racking industry and is a name that is exclusively associated with Redirack. (Mr Wiffill can comment upon his own state of knowledge but he is not in a position to comment on behalf of the racking industry as a whole.) In December 2011, Mr Wiffill saw a reference in a material handling equipment journal to a new company called Rackit Ltd. Owing to his knowledge, he believed that Redirack was setting up its own distribution network. Mr Wiffill telephoned Andrew Forsythe, to express his concern that the new arrangement could affect his business and pricing. Mr Wiffill states that he has been confused by the use of Rackit by Redirack Ltd; it is assumed that he means Irvine rather than Redirack.

60) Mr Arkill states that he would be confused if he saw "Rackit" being used by anyone other than Redirack. He does not state in relation to what products this

confusion would arise. Mr Arkill states that he is still involved in the warehousing trade and does not recall ever having seen or heard of Irvine.

61) Mr Culling states that after ASSL changed its name, he was contacted by several people. He states that in particular he was called by John Whittle of JW Whittle Ltd and Chris Young of Designed Storage Limited. JW Whittle Ltd is a shelving manufacturer which also buys Redirack racking for some projects. Designed Storage Limited is a distributor which supplies "fit-out and products into major retail and storage environments". Mr Culling states that Messrs Whittle and Young independently asked him if Redirack had set up an office in Scotland as they were aware of Irvine and believed it to be a subsidiary or distributor (first witness statement paragraph 5). Mr Culling states that conversations with Messrs Whittle and Young took place in December 2011 and October 2012 respectively (second witness statement paragraph 3). Mr Culling states that the conversation with Mr Whittle took place in the context of his asking if he were willing to give evidence in these proceedings. Mr Culling states that he has shown Mr Whittle a copy of his first statement and he has confirmed the truth of it but does not wish to give a witness statement as he does not wish to be involved in legal proceedings. Mr Culling states that Mr Whittle told him that he does not really know Mr Yates and would not be able to spot him in a crowd. Exhibited at PC2 is an email thread involving Mr Culling, Mr Whittle and Mr Forsythe; Mr Culling has exhibited this to support his statement re Mr Whittle. However, nothing definite or clear can be gleaned from the emails; other than that Mr Yates had telephoned Mr Whittle.

62) Mr Yates states that Irvine does business with JW Whittle and that at no point has he ever been asked by Mr Whittle or any other employee of JW Whittle if Irvine was connected to Redirack. Mr Yates states that he has also never been asked if there is any connection by any other customer or commercial business partner. Mr Yates gives a different version of the views of Mr Whittle to that of Mr Culling. Mr Yates states that he knows Mr Whittle. He states that he called Mr Whittle at 10.17 on 15 November 2012. Mr Yates states that Mr Whittle described the comments attributed to him as inaccurate and not representative of the telephone conversation between him and Mr Culling. Mr Yates states that the telephone call was made by Mr Culling and not by Mr Whittle and was made in October 2012 and not December 2011. Mr Yates states that Mr Whittle's recollection of the telephone call was of Mr Culling asking for a favour and asking whether Mr Whittle would be confused if two businesses existed in the same industry called Rackit. Mr Yates states that Mr Whittle had said that he has not and does not confuse Irvine's use of Rackit with the business of Redirack. Mr Yates states that Mr Whittle "confirmed that in relation to the provision of pallet racking and storage services under the Application Mark he only considered the Applicant. This is further evidenced by the fact that Mr Whittle is a supplier of the Applicant and to our Opponent." Mr Yates states that Mr Whittle did not wish to be further involved in the proceedings and was not prepared to submit a witness statement in relation to his telephone conversation with Mr Culling. Mr Yates states that Mr Whittle did agree to the inclusion of the details of his telephone

conversation with Mr Yates in his witness statement. Mr Yates states that Mr Whittle made it clear that Mr Culling's version of the telephone conversation was inaccurate. Mr Yates states, consequently, he doubts Mr Culling's statement re Chris Young.

63) Mr Ferguson states that Irvine has not been contacted by any person in connection with the Rack It publication or by any person believing that Irvine is associated with or connected to Redirack.

64) Karen McGarry is the safety, health and environment manager of Barony Universal, a manufacturer. She states that she has never heard of the publication Rack It. Owing to her position, there is no reason that she should have. She gives details of the business of Irvine; there is no indication as on what basis she is in a position to do this. Mr Ferguson states that Barony Universal had a turnover of approximately £17 million in 2007 and £20 million in 2011.

65) The witness statement of Mr Hodovanets has been referred to before. Mr Hodovanets is involved in the food retail and wholesale sector. He refers to not knowing of the Rack It publication: owing to his business, absence of knowledge of the Rack It publication cannot be considered to be of pertinence in the proceedings. The witness statement of Ms Cuthbert has also been referred to before. She also has no knowledge of the Rack It publication; owing to her position, her lack of knowledge of the Rack It publication is not pertinent. Susan Anderson, an owner of a design company, has made a witness statement. She also has no knowledge of the Rack It publication; owing to her position, her lack of knowledge of the Rack It publication is not pertinent.

66) Exhibited at AF7 is a page from rackit.co.uk; rackit is presented in lower case, the rack element is in black and the it element is in orange. Mr Forsythe considers that the allusion to Redirack is made stronger by the use of "Redirack orange". Orange is used in many of the titles in the Rack It publication. Certain of the racking shown in the publication is orange (eg AF2 pages 7 and 8).

The witnesses

67) Mr Forsythe's first statement can only be read as claiming that Rack It was still being published. Irvine filed evidence to show that it stopped being published in 2009. Mr Forsythe should have known this. In his second statement he accepted that it had stopped being issued. Mr Forsythe stated that Mr Ferguson had worked for Axis Trading Limited. Mr Ferguson filed evidence to show that this was not the case, he had worked for Axis Scotland Ltd, a totally unrelated company. In his second statement Mr Forsythe accepts this. Mr Forsythe knew that Axis Trading Limited was a PR company that had worked for Redirack. He knew that Axis Scotland Ltd was the Scottish distributor of Redirack's products. It is difficult to understand in these circumstances how Mr Forsythe could conflate the two. The figures that Mr Forsythe gives for the production of Rack It in no way tally with the invoices from Axis Trading, which produced and, for the main

part, distributed the publication. Under cross-examination, Mr Forsythe stated that the figures he gave were made on the basis of information he had gleaned from his company's accounts department. Even putting aside the recoverable VAT element, the discrepancies between the invoices from Axis Trading Limited and the figures given by Mr Forsythe are too large to give credence to the claims in respect of the costs of production. (In itself nothing greatly turns upon this, however, it is to be taken into account in considering the credibility of Mr Forsythe as a witness.) Mr Forsythe stated that until November 2012 there was a location for copies of Rack It on the Redirack website. However, under cross-examination he stated that it was the case studies that were available and not electronic versions of the publication; case studies that were not identified by reference to Rack It. Mr Forsythe has stated that Rack It is viewed as the industry standard publication. He was challenged on this in cross-examination. He made the concession that it is one of the industry standard publications. Any objective view will not see Rack It as an industry standard publication; it was a promotional publication for Redirack. It would be over generous to describe Mr Forsythe as a careless witness. The inaccuracies in his evidence, exposed for the most part by Irvine in its evidence, lead to the conclusion that he is a cavalier witness. In cross-examination Mr Forsythe was defensive and not a convincing witness. Taking all these matters into account, where there is not clear documentary support for the statements of Mr Forsythe, little weight can be given to his evidence.

68) Mr Yates was combative. He was very forthright in his answers and appeared somewhat indignant that his statements should be doubted. Of course, for Mr Yates being cross-examined would be a new experience and he would not see it as just part of the warp and weft of the legal process. He had great certainty in his recollection and his answers. It is not considered that Mr Yates was a dishonest witness but he certainly wanted to put the best case forward for Irvine. Some care must be exercised in dealing with his evidence.

69) The other witnesses all appeared to be straightforward and measured in their answers. They all appeared reliable; however, there are clear contradictions between their evidence. Part of this may be due to the passing of time; they were being questioned about things that took place a good number of years previously. Consequently, the weight to be given to their evidence will, where there are conflicts, be made on the basis of the corroborative evidence that has been supplied and on its inherent coherence within any established parameters of the case.

Passing-off – section 5(4)(a) of the Act

70) It was agreed that the material date was the date of the application of Irvine. No argument was put forward by Mr St Quintin in relation to concurrent goodwill. Any such argument would have fallen upon stony ground, as the use in relation to the eBay shop was tied inextricably to the company name Advanced Storage Systems Limited; this case must deal with the trade marks of the application with no other bag and baggage. (There is also an absence of detail as to the scale of

the use on the eBay shop and the customers of Redirack would be most unlikely to be using eBay for racking goods and services.)

71) Mr St Quintin submitted that the goodwill had been abandoned by Redirack. His argument conflates the goodwill in a business with signs used in relation to that business. The business of Redirack has certainly not been abandoned; there has been no argument that it has, so the goodwill in its business continues. A sign may no longer be used in relation to a business but there is no goodwill in a sign and so the ceasing of the use of the sign cannot equate to an abandonment of goodwill². However, when a sign ceases to be used it may no longer be related by the customers of the business with that business. The effects of the ceasing of use will depend on the scale and impact of the earlier use and the time that has passed since the ceasing of use. The continuing effects of the sign can be considered in the same manner as residual goodwill. In relation to this Arnold J in *Starbucks (HK) Limited, PCCW Media Limited and UK Broadband Limited v British Sky Broadcasting Group PLC, British Sky Broadcasting Limited and Sky IP International Limited* [2012] EWHC 3074 (Ch) commented:

“138. PCCU's service. I am satisfied that PCCU's service had generated some degree of reputation and goodwill in the UK under the name NOW by the time it was closed in January 2002, but on the evidence it is clear that the extent of this was modest. Furthermore, over 10 years elapsed between then and the announcement of Sky's service. It is common ground that, if a business has not been abandoned in a manner which results in its goodwill being destroyed, a residual goodwill may continue to subsist for a time after the business has ceased trading: see Wadlow, *The Law of Passing Off* (4th ed) at §§3-220 to 3-226. In principle, the lesser the extent of the original goodwill and the more time that has elapsed since the business ceased trading, the more one would expect the residual goodwill to have evaporated; but the extent of any residual goodwill in any particular case is a matter for evidence. In the present case there is no direct evidence that any goodwill continued to exist in March 2012. In my judgment there is no sufficient evidence from which the continued existence of any goodwill can be inferred. It follows that the claim for passing off based on the goodwill generated by PCCU's service fails.”

72) Businesses have ceased using well-known trade marks where they have changed the name of a product. Opal Fruits have become StarBurst, Marathon has become Snickers; it is difficult to envisage that another business would be able to use the earlier trade marks owing to their fame in relation to confectionery for some time. Rack It is not in the same position as these former confectionery trade marks.

² No significance is given to the electronic reappearance of Rack It in April 2013, this reappearance does not reflect on the position at the material date and could have taken place for tactical reasons in relation to these proceedings.

73) As Mr Alkin submitted initial interest confusion can be enough to establish misrepresentation. In *Och-Ziff Management Europe Limited and another v Och Capital LLP and others* [2010] EWHC 2599 (Ch) Arnold J stated:

“87 What then is the status of initial interest confusion in European trade mark law? For this purpose, I shall define “initial interest confusion” as confusion on the part of the public as to the trade origin of the goods or services in relation to which the impugned sign has been used arising from use of the sign prior to purchase of those goods or services, and in particular confusion arising from use of the sign in advertising or promotional materials.....

155. In my judgment OCH Capital's use of the signs complained of gives rise to a misrepresentation for similar reasons that I have given in relation to the claim for infringement of the OCH-ZIFF Trade Mark under Article 9(1)(b). It is true that in passing off there is no limit on the relevant circumstances, but I do not accept that it follows that initial interest confusion is not actionable.”

74) The use of Rack It by Redirack has been in relation to a publication. However, it was a publication that related to the goods and services of Redirack; it was inextricably linked to that business. Consequently, the sign was linked to the business of Redirack in relation to pallet racking. It was also used in a common field of activity as per *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697, the pallet racking industry.

75) In *Marks and Spencer PLC v Interflora Inc and Interflora British Unit* [2012] EWCA Civ 1501 Lewison LJ dealt with the issue of the number of people that must be deceived in relation to passing-off.

“27. In *Neutrogena* the claimant had substantial reputation and goodwill in haircare and skincare products sold under the name Neutrogena. It was also the owner of three registered marks for that word. The defendant began to market a range of shampoo and other products under the name Neutralia. Neutrogena sued for passing off and infringement of its marks. It was accepted by the defendant (represented as it happens by both Mr Hobbs and Mr Silverleaf) that the case on trade mark infringement stood or fell with the case in passing off: [1996] RPC 473, 488. So the judge (Jacob J) concentrated on passing off. He directed himself ([1996] RPC 473, 481):

"It is not a defence to passing off that many of a defendant's sales do not cause deception or confusion. There is passing off even if most of the people are not fooled most of the time but enough are for enough of the time. By "enough" I mean a substantial number of the plaintiff's customers or potential customers deceived for there to be a real effect on the plaintiff's trade or goodwill. In this case (where most of these are probably not confused) the crucial question is whether or not the plaintiffs have established a sufficient degree of confusion and deception to take the case above a *de minimis* level.

For there are always some people who are confused and even when products and names are well-differentiated, mistakes do occur."

28. Having considered a variety of different kinds of evidence Jacob J concluded on the facts [1996] RPC 473, 483:

"...the plaintiffs have managed to adduce what I find to be convincing evidence that there is deception and confusion and that this is above a trivial level, *even though most people are not deceived.*" (Emphasis added)

29. He therefore concluded that passing off had been established.

30. The judge's self-direction was attacked in the Court of Appeal but largely survived. Morritt LJ thought that the use of the phrases "more than de minimis" and "above a trivial level" were best avoided; but held that the judge had applied the correct test; namely whether a substantial number of members of the relevant public had been deceived. The judge's finding that passing off had been established was upheld. The important point is that passing off had been established *even though most people were not deceived.*"

76) Mr Forsythe has stated that he was asked by a number of people about what the connection was between Rack It and Irvine. There is an absence of detail as to the exact nature and number of queries. He states that he received such queries following the e-mail announcing the change of the name of Advance Storage Systems Limited. This seems odd as the e-mail makes it clear that there has simply been a change of name of the earlier company; the e-mail indicates that there is no link. He also states that he and his colleagues on the Redirack stand at the MultiModal Trade Show were also asked this question. He does not identify who the colleagues were. In view of the findings re Mr Forsythe as a witness and the absence of any detail, no weight is given to this part of his statement.

77) Mr Arkill states that he would be confused if he saw "Rackit" being used by anyone other than Redirack but he does not state in relation to which goods. Also, Mr Arkill is not a customer for the goods and services of Redirack. Mr Whittle had been caught between the Scylla and Charybdis of Redirack and Irvine and nothing can be deduced from the hearsay evidence in relation to him. In the absence of any confirmatory evidence from Mr Young, no weight is given to the statement about him.

78) The strongest evidence of confusion that has taken place comes from Mr Wiffill. However, as Mr St Quintin submitted the evidence is not as clear cut as it might seem. Mr Wiffill does not refer to the magazine in which he saw reference to Rackit Ltd. He describes seeing an article about a new company, however, it was not a new company but a company with a changed name. To put the statement of Mr Wiffill in context and to give it due weight it would be necessary to see the article which gave rise to Mr Wiffill's confusion.

79) Mr Ferguson and Mr Yates have stated that they have had no instances of confusion. However, taking into account the indications of the nature of the customers of Redirack and those of Irvine, it is most likely that they will not have been the same customers and so there would have been no opportunity for confusion to arise.

80) The Redirack group of companies are Redirack, Redifloor, Redifit, Redibuild and RediTechniX. RediGroup brands are RediAngle, RediLogiX, RediShelf, RediShop, RediShuttle, RediStore, Sacrificial Leg and RediStor. The five trade mark registrations of Redirack are REDIRACK, REDIANGLE, REDISHELF, REDIBUILD and REDIFIT. Consequently, there will be a clear identification of the Redi prefix with signs used in relation to the business of Redirack. The current publication of Redirack is *Redizine*.

81) Redirack has claimed and its witnesses have stated that sales people take the Rack It publication out with them. Under cross-examination Mr Yates categorically stated that this was not the case. Mr Young states that Rack It was never used as a sales aid. If Rack It was used as a sales aid it would be expected that Redirack would have put in statements from sales representatives. It has not. It has put in statements stating that this is what sales representatives do but with no substantiation. The witnesses might think that this was what sales persons do, this is not the same as what actually happens. Messrs Ferguson, Yates and Young all deny all knowledge that Rack It was ever used as an aid to sales. Mr Davidson was a sales person for Axis Scotland for 5 years and states that, until he was advised about these proceedings, he had never heard of the Rack It publication. Mr Dewey was a sales team member for Axis Scotland for 5 months, a relatively brief time. However, in that brief time he had never heard of the Rack It publication. Mr Phelan was asked if there had been any reprinting of the publication, the answer was no. It was not said that copies had been copied. It seems anomalous that what is purported to be an important sales tool is being allowed to wither away as stocks reduce. There is also no clear indication as to what stocks there are. On the basis of what is before the tribunal and what is not, the position of Irvine in relation to the use as a sales aid is preferred to that of Redirack; ie that it was not and is not used as a sales aid.

82) The publication relates to Redirack products; for the most part it was inserted into publications. No details of those who signed up to the Rack It Club are given. The dominant sign used in relation to the publication is Redirack, as the articles relate to it and the purpose of the publication is to promote Redirack, whatever the claims of Mr Forsythe. It is not a publication for which payment is made. The publication was primarily issued as an inset in magazines. It was a thin publication issued at the most three times a year and towards the end once a year. The magazines in which it was placed cover far more than just pallet racking and many of the recipients are unlikely to have any interest in pallet racking. Consequently, the volume of insets in magazines, must be critically considered within the context of their use. Mr Arkill comments upon the popularity of the publication but that is his opinion, he is not part of the trade;

there is no evidence from the trade. Consequently, it is quite possible that many of those receiving the publication will dispose of it without reading it; if they look at it, it may be in a glancing fashion and they may take no cognisance of the title; being more aware of the Redirack promotion. Mr Wiffill was aware of the publication but there is nothing to indicate that he is typical of the customers of Redirack. From 2009 no further issues have been issued prior to the material date. It is noted that some copies of the publication were sent out directly but as a thin, promotional publication tightly linked to the Redirack name, the impact of the name may well have been from negligible to non-existent.

83) In *Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco v Anglofile International Limited trading as Monte Carlo Casino Entertainment* [2013] EWPC 38 Miss Recorder Amanda Michaels commented on what is necessary for an actionable misrepresentation :

"73. In case I am wrong on that point, however, I need to consider whether the Defendant's activities give rise to an actionable misrepresentation. Mr Wilkinson sought to persuade me that 'mere confusion' would suffice to establish passing off, but I cannot accept that submission. Birss J said recently (indeed, just after the trial of this action) in *Fenty v Arcadia* [2013] EWHC 2310 at [35]

"35 ... For passing off to succeed there must be a misrepresentation about trade origin. Mr Hobbs rightly referred me to the words of Jacob J (as he then was) in *Hodgkinson v Wards Mobility* [1995] FSR 169 and of the Court of Appeal in *Harrods v Harrodian School* [1996] RPC 697 about the significance of deception in passing off. Jacob J emphasised that the tort of passing off has never shown even a slight tendency to stray away beyond cases of deception. Millett LJ (as he then was) stated that it was not sufficient to demonstrate that the public would think there was a connection of some kind between the defendant and the claimant, if it is not a connection which would lead the public to suppose that the claimant has made him or herself responsible for the quality of the defendant's goods or articles."

74. Birss J also referred to [16-23] of the judgment of Jacob LJ in *Phones 4U v Phone4U.co.uk* [2007] RPC 5 on "mere confusion" where he said at [16 ff]:

"16 ... Sometimes a distinction is drawn between "mere confusion" which is not enough, and "deception," which is. I described the difference as "elusive" in *Reed Executive Plc v Reed Business Information Ltd* [2004] R.P.C. 40. I said this, [111]:

"Once the position strays into misleading a substantial number of people (going from 'I wonder if there is a connection' to 'I assume there is a connection') there will be passing off, whether the use is as a business name or a trade mark on goods."

17 This of course is a question of degree—there will be some mere wonderers and some assumers—there will normally (see below) be passing off if there is a substantial number of the latter even if there is also a substantial number of the former.

18 The current (2005) edition of Kerly contains a discussion of the distinction at paras 15–043 to 15–045. It is suggested that:

"The real distinction between mere confusion and deception lies in their causative effects. Mere confusion has no causative effect (other than to confuse lawyers and their clients) whereas, if in answer to the question: 'what moves the public to buy?', the insignia complained of is identified, then it is a case of deception."

19 Although correct as far as it goes, I do not endorse that as a complete statement of the position. Clearly if the public are induced to buy by mistaking the insignia of B for that which they know to be that of A, there is deception. But there are other cases too—for instance those in the *Buttercup* case. A more complete test would be whether what is said to be deception rather than mere confusion is really likely to be damaging to the claimant's goodwill or divert trade from him. I emphasise the word "really."

20 *HFC Bank Plc v Midland Bank Plc* [2000] F.S.R. 176, ... is a case about "mere confusion". The claimant Bank was known, but not very well known, as HFC. It sought to restrain the Midland with its very many branches from changing its name to HSBC. That was said to be passing off. It relied upon some 1,200 instances of alleged deception. Lloyd J. analysed the ten best (pp.189–104). None really amounted to deception. And in any event, given the scale of the parties' respective operations, the totality of what was relied upon was trivial. The case was one on its facts. It decided no question of principle.

21 In this discussion of "deception/confusion" it should be remembered that there are cases where what at first sight may look like deception and indeed will involve deception, is nonetheless justified in law. I have in mind cases of honest concurrent use and very descriptive marks. Sometimes such cases are described as "mere confusion" but they are not really—they are cases of tolerated deception or a tolerated level of deception.

22 An example of the former is the old case of *Dent v Turpin* (1861) 2 J&H 139. Father Dent had two clock shops, one in the City, the other in the West End. He bequeathed one to each son—which resulted in two clock businesses each called Dent. Neither could stop the other; each could stop a third party (a villain rather appropriately named Turpin) from using "Dent" for such a business.

A member of the public who only knew of one of the two businesses would assume that the other was part of it—he would be deceived. Yet passing off would not lie for one son against the other because of the positive right of the other business. However it would lie against the third party usurper."

84) Taking into account the nature of use of Rack It as the name of a promotional publication, that is has only ever been used in relation to a publication, the hiatus of use prior to the date of the filing of the application and the use by Redirack of Redi prefixed trade marks, it is not considered that use of the trade mark of the application of Irvine would "really" damage the goodwill of Redirack or divert trade from it. **Consequently, the ground of opposition under section 5(4)(a) of the Act is dismissed.**

Bad faith – section 3(6) of the Act

85) In *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch) Arnold J considered the general principles relating to filing an application in bad faith:

"130. A number of general principles concerning bad faith for the purposes of section 3(6) of the 1994 Act/Article 3(2)(d) of the Directive/Article 52(1)(b) of the Regulation are now fairly well established. (For a helpful discussion of many of these points, see N.M. Dawson, "Bad faith in European trade mark law" [2011] IPQ 229.)

131. First, the relevant date for assessing whether an application to register a trade mark was made in bad faith is the application date: see Case C-529/07 *Chocoladenfabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* [2009] ECR I-4893 at [35].

132. Secondly, although the relevant date is the application date, later evidence is relevant if it casts light backwards on the position as at the application date: see *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2008] EWHC 3032 (Ch), [2009] RPC 9 at [167] and cf. Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* [2004] ECR I-1159 at [31] and Case C-192/03 *Alcon Inc v OHIM* [2004] ECR I-8993 at [41].

133. Thirdly, a person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation which must be distinctly proved. The standard of proof is on the balance of probabilities but cogent evidence is required due to the seriousness of the allegation. It is not enough to prove facts which are also consistent with good faith: see *BRUTT Trade Marks* [2007] RPC 19 at [29], *von Rossum v Heinrich Mack Nachf. GmbH & Co KG* (Case R 336/207-2, OHIM Second Board of Appeal, 13 November 2007) at [22] and *Funke Kunststoffe GmbH v Astral Property Pty Ltd* (Case R 1621/2006-4, OHIM Fourth Board of Appeal, 21 December 2009) at [22].

134. Fourthly, bad faith includes not only dishonesty, but 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": see *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 at 379 and *DAAWAT Trade Mark* (Case C000659037/1, OHIM Cancellation Division, 28 June 2004) at [8].

135. Fifthly, section 3(6) of the 1994 Act, Article 3(2)(d) of the Directive and Article 52(1)(b) of the Regulation are intended to prevent abuse of the trade mark system: see *Melly's Trade Mark Application* [2008] RPC 20 at [51] and *CHOOSI Trade Mark* (Case R 633/2007-2, OHIM Second Board of Appeal, 29 February 2008) at [21]. As the case law makes clear, there are two main classes of abuse. The first concerns abuse vis-à-vis the relevant office, for example where the applicant knowingly supplies untrue or misleading information in support of his application; and the second concerns abuse vis-à-vis third parties: see *Cipriani* at [185].

136. Sixthly, in order to determine whether the applicant acted in bad faith, the tribunal must make an overall assessment, taking into account all the factors relevant to the particular case: see *Lindt v Hauswirth* at [37].

137. Seventhly, the tribunal must first ascertain what the defendant knew about the matters in question and then decide whether, in the light of that knowledge, the defendant's conduct is dishonest (or otherwise falls short of the standards of acceptable commercial behaviour) judged by ordinary standards of honest people. The applicant's own standards of honesty (or acceptable commercial behaviour) are irrelevant to the enquiry: see *AJIT WEEKLY Trade Mark* [2006] RPC 25 at [35]-[41], *GERSON Trade Mark* (Case R 916/2004-1, OHIM First Board of Appeal, 4 June 2009) at [53] and *Campbell v Hughes* [2011] RPC 21 at [36].

138. Eighthly, consideration must be given to the applicant's intention. As the CJEU stated in *Lindt v Hauswirth*:

"41. ... in order to determine whether there was bad faith, consideration must also be given to the applicant's intention at the time when he files the application for registration.

42. It must be observed in that regard that, as the Advocate General states in point 58 of her Opinion, the applicant's intention at the relevant time is a subjective factor which must be determined by reference to the objective circumstances of the particular case.

43. Accordingly, the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of the applicant.

44. That is in particular the case when it becomes apparent, subsequently, that the applicant applied for registration of a sign as

a Community trade mark without intending to use it, his sole objective being to prevent a third party from entering the market.

45. In such a case, the mark does not fulfil its essential function, namely that of ensuring that the consumer or end-user can identify the origin of the product or service concerned by allowing him to distinguish that product or service from those of different origin, without any confusion (see, inter alia, Joined Cases C-456/01 P and C-457/01 P *Henkel v OHIM* [2004] ECR I-5089, paragraph 48).”

86) The first matter is what the controlling minds of Irvine knew at the date of the filing of its application. The controlling minds who have given evidence are Mr Ferguson and Mr Yates. Both have denied knowledge of the use of Rack It for the Redirack publication at the date of the filing of the application.

87) There has been an amount of evidence about whether there was a copy of Rack It on the wall of Axis Scotland's boardroom. There was cross-examination in relation to this matter. Redirack has adduced no evidence from anyone at Axis Scotland in relation to this matter. Mr Phelan states that the issue has hung on the wall since early 2005, however, he left Axis Scotland in 2004; although he stated in cross-examination that he has visited Axis Scotland since then. Mr Yates, in cross-examination, categorically denied it hung upon the wall. Mr Ferguson had left Axis Scotland before the issue was supposed to be upon the wall. If such an issue hung upon the wall, it is not necessary that visitors to the boardroom were aware of it. Pictures or signs upon walls may go unnoticed by persons who use rooms, however, frequently. If the claimed item were a full size reproduction of 3rd of May 1808 by Goya, it could be assumed that visitors would notice it upon the wall. An issue of an A4 publication in a frame will not necessarily grab the attention. In the end the evidence in relation to this is inconclusive and even if there were a copy in a frame it would not say much about the state of knowledge of the controlling minds of Irvine. Mr Alkin also put it to Mr Yates and Mr Ferguson that they did not state that they did not know of the Rack It publication but that that it was not inconceivable that they were not aware of Redirack's use of Rackit at all material times as claimed by Redirack. Mr Alkin spent some time in probing the care with which Mr Ferguson and Mr Yates made their statements. The statements on behalf of Irvine have for a large part been completed to challenge statements made by the witnesses of Redirack, in particular Mr Forsythe. Mr Forsythe stated that it was inconceivable that the Rack It publication was not known. The answers of Mr Yates and Mr Ferguson were in response to this. Consequently, the nature of the wording of Mr Ferguson and Mr Yates is not significant. (It is also reasonable to assume that the legal representatives of Irvine were involved in the drafting of the statements of Mr Ferguson and Mr Yates.)

88) Mr Ferguson states that the decision to use the name Rackit for the eBay shop was made “entirely independently” from Redirack. He states:

“The idea came to me as a result of a meeting with a potential client at his warehouse premises where he stated *“this is the area and I just want to rack it.”*”

It may have been that the name Rack It was lodged somewhere in the back of the mind of Mr Ferguson; this is not the same as a conscious awareness of the name at the time of the filing of the application. Taking into account the nature of the clients of Irvine on the eBay shop, it is difficult to see that the use of Rackit would have had any advantage; which adds weight to the statements of Messrs Ferguson and Yates that they were not aware of the name of Redirack’s publication when they made the application. If they had wanted to gain some advantage from the name Irvine adopted, it could be expected that Irvine would have chosen a name that would have led to that advantage. The rationale of the change of the name of Advanced Storage Systems Limited has not been challenged. “A person is presumed to have acted in good faith unless the contrary is proved”; in this case Redirack has failed to establish that the controlling minds of Irvine had knowledge of the Redirack publication and, consequently, the first part of the combined test is not satisfied and so the ground of opposition under section 3(6) of the Act fails.

89) The ground of opposition under section 3(6) of the Act fails.

Overall outcome

90) As agreed between counsel, the outcome of a finding for Irvine is that the application for Irvine may proceed for all of the goods and services and the application of Redirack may proceed for the class 16 goods.

Conduct of counsel

91) Mr Alkin and Mr St Quintin are to be commended for their joint approach to the hearing which allowed for the full exploration of the key issues whilst limiting the length of the hearing; so limiting the costs of the parties and clarifying the issues.

Costs

92) Irvine has for the most part been successful and is entitled to a contribution towards its costs.

93) Mr St Quintin submitted that there should be an award of costs outwith the scale owing to the extensions of time which Redirack requested. Extensions of time are part and parcel of proceedings. There was nothing abusive about the requests. There is no basis for making an award of costs outwith the scale upon this basis.

94) Irvine is entitled to reasonable expenses for the presence of Messrs Ferguson, Yates and Young at the hearing for cross-examination. Irvine should

furnish within four weeks of the date of the issue of this decision a breakdown of the costs of the witnesses in respect of transport and subsistence for attendance at the hearing. The breakdown should be supported by receipts. A copy of the documentation should be sent to Redirack, which will have two weeks from the date of the sending of the documentation to make any submissions that it wishes in relation to the claim.

95) A supplementary decision in relation to costs will be issued and the period for appeal in relation to the substantive decision will run concurrently with the period for appeal in relation to the costs awards.

Dated this 11th day of December 2013

**David Landau
For the Registrar
the Comptroller-General**