O-546-14

**TRADE MARKS ACT 1994**

**TRADE MARK APPLICATION 2613183 BY SWANSEA UNIVERSITY**

**AND**

**OPPOSITION 104088 BY DUXBURY PROJECTS LIMITED**

**AND**

**TRADE MARK APPLICATION 3060828 BY DUXBURY PROJECTS LIMITED**

**AND**

**OPPOSITION 402948 BY SWANSEA UNIVERSITY**

**Background and pleadings**

1. This decision covers consolidated oppositions between Duxbury Projects Limited ("Duxbury") and Swansea University ("Swansea").

2. Swansea claims to own trade mark rights in, and goodwill under, this sign.


3. Duxbury claims to own earlier trade mark rights in, and goodwill under, this sign.


4. Both sides' claims are linked to an educational scheme for businesses which has its origins in an agreement dated 8 September 2004 through which Business Links North and Western Lancashire Limited contracted Lancashire University ("LU") to develop an educational course to equip businesses with the skills required for success. The North West Development Agency ("NWDA") later took over Business Link's interest in the development and roll out of the scheme in the North West of England.

5. On 3 February 2010, NWDA granted Swansea University, inter alia, a licence to use the existing intellectual property associated with the course in order to operate the LEAD program of business education in Wales. That licence stated that any newly created intellectual property would be jointly owned by Swansea and NWDA.

6. The NWDA was dissolved at the end of March 2012. Swansea was told of the impending closure of the NWDA in September 2011.

7. Swansea applied to register the sign shown in paragraph 2 above as a trade mark on 8 March 2012 ("the first relevant date").

8. Duxbury claims to have taken an assignment of the intellectual property rights held by the NWDA in relation to the LEAD program on 21 March 2012, including rights to the mark shown at paragraph 3 above.

9. Duxbury opposes Swansea's trade mark application essentially on the grounds that:

- The sign shown at paragraph 2 above was 'existing intellectual property' at the date of the licence between NWDA and Swansea and therefore NWDA, and now Duxbury, was/is the owner of that mark and the goodwill in the business of which it is distinctive.

- Even if the sign shown at paragraph 2 represents 'new intellectual property' as envisaged in the licence, NWDA had at least a 50% share in the rights in and under that mark.

- On either scenario, Swansea's use of the mark without the consent of NWDA would have amounted to passing off at the first relevant date and registration would therefore be contrary to s.5(4)(a) of the Trade Marks Act 1994 ("the Act").

- Swansea's application to register the trade mark in its own name, without the agreement of NWDA, was an act of bad faith and registration would therefore be contrary to s.3(6) of the Act.

10. Swansea filed a counterstatement denying the grounds of opposition. It claimed that:

- LU and NWDA jointly owned the intellectual property in the LEAD program and could licence that intellectual property independently of each other.

- Swansea and NWDA jointly owned the new intellectual property created pursuant to the licence of 3 February 2010, which included the sign shown at paragraph 2 above.

- Swansea became aware that NWDA was to be wound up at the end of March 2012 and filed the application in order to protect its position with regard to third parties.

- Filing an application to secure rights in which Swansea was a joint owner cannot be regarded as an act of bad faith, especially as the other owner was no longer going to exist.

- Swansea has been using the mark shown at paragraph 2 for a considerable period of time whereas Duxbury has no use or rights in the mark.

11. Duxbury applied to register the mark shown at paragraph 3 above on 20 June 2014 ("the second relevant date").

12. Swansea opposes the registration of that mark on the basis that:

- Registration would be contrary to s.5(2)(b) of the Act because there is a likelihood of confusion with Swansea's earlier filed trade mark (as shown at paragraph 2).

- Registration would be contrary to s.5(4)(a) of the Act because Swansea has been using the sign shown at paragraph 2 since 1 January 2010 in relation to an educational programme and built up a considerable goodwill and reputation. Use of Duxbury's mark without Swansea's agreement would therefore misrepresent to the public, particularly in Wales, that Duxbury was associated with Swansea, which would damage Swansea's goodwill.

- The application was made in bad faith because due to a funding agreement the mark should be owned by NWDA and LU. Registration should therefore be refused under s.3(6) of the Act.

13. Duxbury filed a counterstatement denying the grounds of opposition to its application. I note that:

- Duxbury relies on its opposition to Swansea's earlier application to defend the s.5(2)(b) ground.

- Duxbury admits that Swansea has used the mark shown at paragraph 2 above in parts of Wales, but maintains that the mark was 'existing intellectual property' governed by the licence of 3 February 2010 granted by NWDA. Therefore, the goodwill generated by Swansea belonged to NWDA. Further, NWDA had granted earlier licences to third parties in the North West of England which covered the mark shown at paragraph 3 above. NWDA therefore had prior rights to the mark. These rights were assigned to Duxbury. Consequently, Duxbury's use of the mark shown at paragraph 3 above would not constitute a misrepresentation to the public or be contrary to s.5(4)(a) of the Act.

- It is claimed that the mark shown at paragraph 3 above was created by Glorious Creatures Ltd and first used under licences from the NWDA (including a licence granted to LU) in May 2009. Accordingly, the mark is not owned by LU and the application was not made in bad faith.

14. Both sides ask for an award of costs.

15. The oppositions were consolidated. This decision therefore covers both oppositions.

**The evidence**

16. Duxbury's evidence consists of two witness statements by Ian Rigby, who is a Director of Duxbury Projects Ltd, and one by Barbara Cookson, who is a trade mark attorney that represents Duxbury in these proceedings. Ms Cookson's statement and Mr Rigby's second statement were filed in reply to Swansea's evidence.

17. Swansea's evidence consists of a witness statement by Daniel Flanagan, who is the Contracts and IP Manager at Swansea University, and a witness statement by Laurel Smith, who is currently an external contracts officer at the university, but who was Finance Officer for the LEAD Wales programme at Swansea between November 2009 and February 2013.

**The hearing**

18. A hearing took place at the IPO's Newport office on 27 November 2014. Swansea was represented by Ms Sue Ratcliffe, who works in the Department of Research and Innovation at the university. Duxbury was represented by Ms Cookson.

19. As a preliminary point, I rejected Duxbury's attempt to rely on its ownership of the copyright in the sign shown at paragraph 3 above as meaning that use of mark shown at paragraph 2 above would be contrary to the law of copyright. I accept that it is arguable that a trade mark may be opposed under s.5(4)(a) on the basis that its use would be contrary to the law of copyright, but such a claim would need to be clearly spelt out. Duxbury's grounds of opposition make no reference to copyright. It is true that Mr Rigby mentions copyright in his first statement, but Mr Flanagan responded to that in his statement by pointing out that Duxbury had not pleaded a copyright claim. If Duxbury had wished to rely on copyright as a ground of opposition it should have responded to that immediately by making an application to amend its grounds of opposition. It did not do so. This is why I found that it was not open to Duxbury to pursue that ground at the hearing.

**Findings of fact**

**Ownership of goodwill in the LEAD programme and the associated unregistered marks**

20. It is common ground that the educational programme later known as LEAD has its origins in an agreement dated 8 September 2004 between Business Link North & Western Lancashire Limited (a predecessor of NWDA) and LU through which the

latter was contracted by the former to prepare an educational course for business. The agreement is in evidence[1]. Paragraph 8 of the agreement entitled 'Proprietary Rights', states that:

> "All intellectual Property Rights in any material produced in the performance of this Agreement or in conjunction with the provision of services shall vest in and belong to [Business Link] and [LU] jointly."

21. It is clear that the 'material' mentioned is the educational material covered by the contract. It is not clear what the 'provision of services' means (if different). This is because the service is defined in a document called 'The Supply Specification', which has not been provided. The focus of the contract seems to have been on the development of the course content and material. However, it appears to be common ground that LU did conduct a pilot LEAD training course or courses under an earlier version of the LEAD logo consisting of the plain word LEAD on a rectangular background coloured purple.

22. Mr Rigby gives evidence that LU signed a memorandum of understanding with Swansea dated 21 November 2007 setting out how Swansea could import the LEAD programme into Wales. A copy of the draft memorandum is in evidence[2]. I find that it does not assist Swansea because:

- It is only a draft and although it is signed on behalf of LU, it is stated that this only represents agreement in principle. There is no final document.

- The draft does not cover IP rights, except to the extent that it would have permitted Swansea to use *"all materials from the LEAD programme developed by Swansea University"*.

- The sign shown at paragraph 3 above was not "developed" by LU.

23. In the event, Ms Ratcliffe did not rely on the document at the hearing as giving Swansea a right to use the mark shown at paragraph 2 above.

24. Mr Flanagan provides copies of a funding agreement between NWDA and LU dated 16 February 2009 and a further agreement dated 25 March 2009[3]. It appears from Mr Rigby's evidence that the new funding was to cover the development of quality standards for the LEAD programme and 'taster' sessions. Mr Rigby suggests that the funding agreement gave LU a 50% share in the intellectual property rights. However, this does not help Swansea for a number of reasons, the most obvious one being that clause 11 of the agreement only divided ownership of the intellectual

[1] See exhibit DOF1 to W/S Flanagan
[2] See exhibit DOF3 to W/S Flanagan
[3] See exhibits DOF4 and 5 to W/S Flanagan

property rights "*created by the applicant*" (LU). However, the marks the subjects of these proceedings were not created by LU.

25. The agreement of 25 March 2009 covered intellectual property in more detail. It records that NWDA took assignment of the rights of Business Link. It sets out the parties' understanding that they jointly owned the intellectual property rights in "the Work". I note that intellectual property is defined as including *"trade marks, service marks"..."whether registered or not".... "rights in goodwill"... "which may subsist now or in the future".* The "Work" is defined as *"work and materials created pursuant to and arising from the Services Agreement"*[4]*,* but it is expressly stated to cover the work and materials set out in a schedule to the 25 March 2009 agreement. The first item in that schedule is "*The LEAD programme (including without limitation the LEAD brand, programme content, resources, pilot and evaluation)".*

26. According to Mr Rigby, it was six days later, on 31 March 2009, that NWDA commissioned Glorious Creative Ltd to create a new logo for the LEAD programme and associated branding guidelines. Copies of the purchase order and invoice are in evidence[5]. The version of the LEAD logo created by Glorious Creative Ltd is the mark shown at paragraph 3 above. It was the main branding used in the subsequent delivery of the LEAD training programme[6]. Mr Rigby says that the LEAD logo mark (as shown at paragraph 3 above) was first used in May 2009.

27. Although the LEAD logo shown at paragraph 3 above did not exist at the time of the agreement dated 25 March 2009, the terms of that agreement (shown in italics in paragraph 25 above) appear to mean that NWDA and LU jointly owned the goodwill in the LEAD programme and the marks that were (or later became) distinctive of that goodwill. This includes the mark shown at paragraph 3 above.

28. According to Mr Rigby, Glorious Creative Ltd was already on a framework agreement to deliver services to NWDA and had signed standard terms and conditions under which the intellectual property rights in the products provided through the contracted services were assigned to NWDA[7]. However, that cannot override the terms of the agreement of 25 March 2009 between NWDA and LU that *"trade marks, service marks"..."whether registered or not".... "which may subsist now or in the future"* in relation to the LEAD programme would be jointly owned.

[4] The "Services Agreement" is defined as the agreement between Business Link and LU dated 8 September 2004, which as I have already noted, is not entirely clear without the services specification.
[5] See pages 54 and 55 of exhibit IR1 to Rigby 1
[6] See pages 42 to 53 of exhibit IR1 to Rigby1
[7] Glorious Creative Ltd subsequently signed a "confirmatory copyright assignment" dated 23 June 2014 assigning the copyright in the mark shown at paragraph 3 above to Duxbury so as to "perfect their ownership". See exhibit BEC1 to W/S Cookson.

29. The delivery of the LEAD courses in the North West, and the management of that process, was put out to tender by the NWDA in or around March 2009. Duxbury won the contract to manage the programme. Thirteen providers who met the required quality standards developed by LU were subsequently engaged to deliver the courses in the North West of England on behalf of NWDA. LU was one of these. By 31 March 2012, 1059 'delegates' had undertaken the course in the North West of England. LU delivered the course to 75 of these 'delegates'. The draft contract between NWDA and the service providers is in evidence[8]. Clause 10 states that the supplier assigns the intellectual property rights in the products of the services to NWDA. The potential service deliverers, including LU, were required to accept these terms[9]. Mr Rigby says that LU did accept these terms, and there is no evidence to contradict his statement. However, this agreement was signed by all 13 providers. It would plainly have prevented any of the other delivery partners claiming a share in the intellectual property rights generated by the delivery of the programme, including the goodwill. It is not clear whether it changed the agreement of 25 March 2009 between NWDA and LU which set out that the intellectual property rights arising from the creation of the LEAD programme (including the LEAD brand) would be jointly owned.

30. There is no dispute that the use of the marks shown in paragraphs 2 and 3 above in relation to educational services has generated goodwill. The dispute is about who owns it. I find that NWDA and LU probably jointly owned the goodwill created by the delivery of business training in the North West under the LEAD programme prior to the first relevant date. If I am wrong about that, then the goodwill was owned by NWDA. I find that the mark shown at paragraph 3 was distinctive of that goodwill at the first relevant date.

31. The principal purpose of the agreement of 25 March 2009 was to set out what use LU and NWDA could make of their property rights with and without the consent of the other. Clause 2.1 of the agreement sets out the basic proposition that neither party may reproduce or permit third parties to use the intellectual property rights in the "Work" without the consent of the other. By way of derogation from the requirement of clause 2.1, clause 2.2 provides that LU may use the intellectual property rights without the prior agreement of NWDA i) within the geographical boundaries of the North West of England, and ii) provided that it is not likely to conflict with any interest of NWDA or result in any commercial gain for LU. By contrast, clause 2.3 of the agreement provides that NWDA may use the intellectual property rights without the consent of LU to promote or licence the LEAD programme to other organisations, provided that this is not likely to lead to commercial gain for NWDA. Clause 2.4 gives the NWDA an absolute right to use the intellectual property to deliver and develop the LEAD programme. Taken as a whole, the agreement

[8] See pages 35-87 of exhibit IR2 to Rigby 2
[9] See page 13 of exhibit IR2 to Rigby 2

clearly made NWDA the senior partner in the relationship with LU. It was able to use the intellectual property anywhere in the UK in order to deliver the LEAD programme, whereas LU's rights are limited to the use of the rights in the North West of England only, and then subject to a duty to avoid any conflict with the interests of NWDA. This no doubt reflected the relative financial strength and dependency of these parties at the time of the agreement.

32. Accordingly, there is nothing in the 2004 and/or 25 March 2009 agreements which gave LU the right to licence any of the intellectual property or goodwill in the LEAD programme to Swansea for use in Wales.

33. This brings me to the licence granted by NWDA to Swansea on 3 February 2010 and the question of who owned the goodwill generated by the delivery of the LEAD programme in Wales.

34. The licence is actually entitled 'Deed for permission to use the intellectual property rights in the Works'. The "Works" are defined broadly as *"any work or materials arising from the deed".* Ms Ratcliffe did not object to the deed being characterised as a licence. However, it is an unusual licence because in addition to licensing NWDA's existing intellectual property in relation to the LEAD programme to Swansea, it also divided any new intellectual property rights *"created as a result of the development of the LEAD programme in Wales"* between the parties.

35. As with the earlier agreements with LU, intellectual property rights are broadly defined and cover goodwill and unregistered marks. Schedule 1 of the agreement specifically mentions *"the LEAD brand",* which at the date of this agreement would have covered the mark shown at paragraph 3 above. Clause 2.5 of the deed required Swansea to permit the LEAD central project management team (which was Duxbury under NWDA's control) to quality assure the delivery of the LEAD programme by Swansea. Clause 5 of the deed required Swansea to use the LEAD logo on all LEAD works and to comply with NWDA's branding guidelines. It also required Swansea to acknowledge NWDA as the developer of the programme (and LU as its partner) in its works relating to the programme.

36. The parties disagree about whether Swansea's mark shown at paragraph 2 above is 'existing' or 'new' intellectual property for the purposes of the "licence". I find that it should be classed as existing intellectual property for these reasons:

- Unregistered trade marks are not property rights *per se*, and can only be protected to the extent that they are distinctive of the goodwill of a business (which is a property right).

- Goodwill had already been created in the LEAD programme and was an existing intellectual property right at the time of the "licence". The goodwill

generated as a result of the extension of the programme to parts of Wales was not therefore a new intellectual property right *"created as a result of the development of the LEAD programme in Wales".* Rather it added to the existing rights arising from the goodwill in the LEAD programme.

- The goodwill in the LEAD programme at the date of the licence vested in NWDA and/or NWDA and LU.

- The licence granted to Swansea covered an extension of the existing LEAD programme into a new geographical area (as opposed to the delivery of a new programme generating an independent goodwill).

- The requirements for Swansea to use the existing LEAD branding, observe NWDA branding guidelines, acknowledge NWDA and LU as the developers of the programme, and to submit to quality assurance on behalf of NWDA, all point to the Welsh scheme being a licensed extension of the existing scheme.

- To the extent that new intellectual property is claimed to arise from the adaption of the mark shown at paragraph 3 above to the form of the mark shown at paragraph 2, i.e. by adding the words Cymru and Wales to the right of the LEAD logo, this created nothing original in the copyright sense or otherwise. This is because the words in question are obviously not original, there is no evidence that adding them to the right hand side of the LEAD logo involved any skill or labour, and the words are purely descriptive. In fact the evidence shows that Swansea submitted this version of the LEAD logo to NWDA for clearance on or around 18 January 2010, just before the licence was agreed[10]. This indicates that at that time Swansea saw it as necessary to ensure that its version of the LEAD logo complied with NWDA's branding requirements.

37. The licence agreement effectively determined who would own the goodwill generated under the mark shown at paragraph 3 above (the LEAD logo). Ms Ratcliffe submitted that the public in Wales would associate the LEAD programme with Swansea. Even if that were true, it does not follow that Swansea is the legal owner of the goodwill if it had agreed that it would be owned by NWDA. Kerly's Law of Trade Marks and Trade Names (4th ed.) puts it like this:

> 3-140
> Notwithstanding the rule against assignments in gross, the terms of a voluntary agreement deserve to be given effect in full when it serves to reinforce what would have occurred at common law or when ownership at common law would be uncertain. There are many situations in which, in the

[10] See pages 56 to 58 of exhibit IR1 to Rigby 1

> absence of agreement, the goodwill could almost equally well be said to belong to one party or the other, and to give effect to the choice of the parties avoids a difficult, pointless and unreliable enquiry. If so, it follows that the party agreed to own the goodwill is the only proper claimant in a passing-off action during the course of the agreement, that he alone is entitled to use the names or marks with which the goodwill is associated, and that on termination of the agreement it is he who immediately has the right to sue third parties, or even his former colleague, for passing-off.

38. I find that this applies here. The effect of the "licence" was that the goodwill generated by Swansea under the LEAD logo belonged to NWDA. If I am wrong about that, then the goodwill generated under the "licence" was jointly owned by Swansea and NWDA.

**Swansea's motive for filing its trade mark application**

39. Mr Rigby's evidence is that at a meeting held on 14 September 2011 he informed Swansea that NWDA was to close. The minutes of that meeting are in evidence[11]. They show that Swansea was told that NWDA had invited companies to bid for its share in the intellectual property in the LEAD programme. Three companies were left in the bidding process at that time.

40. Mr Rigby's evidence is that LU was intending to acquire NWDA's intellectual property rights in the LEAD programme but was unable to agree terms. Consequently, Duxbury stepped in shortly before the dissolution of the NWDA and took assignment of the rights on 21 March 2012[12].

41. Mr Flanagan's evidence for Swansea is that:

> "The application was made in good faith as [Swansea] had its own rights in the mark, there was no dishonesty in dealing with any third parties because we were not aware of what was going to happen to the mark, the knowledge was that as a result of previous agreements [Swansea] had rights in the mark and the intention was to protect a brand that had been built up for the public good. If the brand had been acquired by a for profit company this would be contrary to the aims of the original funding for the LEAD programme. Furthermore the mark applied for included elements specifically referring to WALES/CYMRU where [Swansea] had clear rights to use the mark."
>
> And
>
> "..Ian Rigby being the project manager of the LEAD programme and a Director of Duxbury could have informed [Swansea] that his company was

[11] See page 62 of exhibit IR1 to Rigby 1

[12] A copy of the assignment is included in exhibit IR1 to Rigby 1 as pages 64 to 68. I not that it records that NWDA and LU jointly own the intellectual property rights in the Work.

buying rights held by the NWDA. [Swansea] was left in the dark about the future of the LEAD programme and also any potential partner in any rights and as Duxbury were the project managers of the programme it is submitted that Duxbury acted in bad faith with respect to [Swansea]. Duxbury is a commercial firm and the whole LEAD programme was set up on a not for profit basis so Duxbury could not replace the NWDA because this would have violated agreements with LU. In view of this [Swansea] sought to protect its own IP that it had developed by using material from LU and also because of its rights in New IP."

And

"It is submitted that far from "stepping in at the last minute" Duxbury chose to act in a manner that could have undermined [Swansea's] position in the mark, as being project managers of the LEAD programme they were in a privileged position to know the terms of any agreements relating to IP and so this would be unfair competition for any other parties making a bid for the IP."

42. Ms Smith gives similar evidence as follows:

"The closure of the NWDA was a very protracted and no one was clear on what was happening. All parties were clear that the project was for the public good and as the closure date was imminent with no potential partner being on the horizon, the decision was taken by LU and Swansea that they would protect the LEAD brand by filing trade mark applications so that they could continue to use the marks in which they had both generated goodwill. Both parties knew they had bona fide rights in the versions of the marks that they had created and were using as there was agreement that rights accrued to each party for the respective use of their marks. Swansea had permission from LU to use its share in the rights and at the time of filing the application (which I did) there was no news on any potential buyer of the NWDA rights. Therefore it was a complete surprise that Duxbury had acquired the rights, especially as it, being project leader of the LEAD programme, had not notified Swansea (and possibly other partners) of its intention to acquire those rights. I can confirm that the Swansea University application was not filed in bad faith as it was my understanding that LU was aware of the situation and the NWDA knew about our interest in the LEAD WALES/CYMRU mark as it had been used consistently by Swansea since 2009 at least and Swansea had clear rights in the LEAD WALES/CYMRU brand."

43. It is clear from this evidence that Swansea was concerned about the potential sale of the intellectual property rights in the LEAD programme to a commercial company and filed the application to protect what it considered to be its own rights in the mark shown at paragraph 2 above. I find that the purpose of this application was to register Swansea's perceived independent right to use the mark and thereby avoid a situation in which it was dependent on a licence held by a commercial undertaking.

**Duxbury's standing as the owner of an earlier right in the opposition to Swansea's application**

44. Duxbury took assignment of the NWDA's rights in the work on 21 March 2012[13]. Mr Rigby says that Swansea was informed of the assignment by a letter dated 27 March 2012[14].

45. Clause 4 of the licence between NWDA and Swansea is as follows:

> "4.1 [Swansea] may not assign, transfer or deal in any manner with its rights arising from the New Intellectual Property Rights in the Work or this deed without the prior written consent of NWDA.
>
> 4.2 NWDA may assign, transfer, deal in any manner, (in whole or in part) with its rights arising from the New Intellectual Property Rights in the Work or this deed provided NWDA has notified [Swansea] in writing of the identity of any assignee and if requested by [Swansea] NWDA shall and shall procure that the assignee shall enter into a novation agreement.
>
> 4.3 This Clause 4 shall survive termination of this Deed."

46. Swansea contends that as NWDA did not notify it of the assignment of the NWDA's rights to Duxbury until after the assignment had occurred and no novation agreement was procured with Duxbury, the assignment to Duxbury is ineffective. Therefore Duxbury should not be regarded as the owner of NWDA's intellectual property rights at the date Duxbury filed its opposition to Swansea's application. The effect of this would be that the Duxbury is not the owner of the rights in question and it did not have the standing to bring the opposition under s.5(4)(a). This is because article 2 of the Trade Marks (Relative Grounds) Order 2007[15] states that only the proprietor of an earlier right may oppose a trade mark application based on that earlier right.

47. I find that there is no basis to Swansea's objection to the standing of Duxbury. This is because:

i) I have found that the goodwill in the LEAD programme and the unregistered mark shown at paragraph 3 above were 'existing intellectual property' under the terms of the licence between Swansea and NWDA. Further, the unregistered mark shown at paragraph 2 above is effectively the same mark and does not qualify as 'new intellectual property'. Consequently, clause 4 does not apply to the mark at issue.

[13] A copy of the assignment is included in exhibit IR1 to Rigby 1 as pages 64 to 68. I not that it records that NWDA and LU jointly own the intellectual property rights in the Work.
[14] A copy of the letter is included in exhibit IR1 to Rigby 1 as page 69.
[15] S.I. 1976/2007

ii) Even if that is wrong, in contrast to clause 4.1 of the "licence", clause 4.2 did not require NWDA to give Swansea prior notice of an assignment of its rights. Further, NWDA was only required to procure a novation agreement with the assignee on request from Swansea. There is no evidence of any such request.

iii) Even if NWDA was in breach of clause 4.2, it would not necessarily follow that the assignment to Duxbury was void. Rather, it would probably mean that NWDA was in breach of its contract with Swansea and Swansea would be entitled to seek redress for that breach through the courts.

48. I therefore find that Duxbury has the necessary standing to bring the opposition under s.5(4)(a) based on its earlier right to the mark shown at paragraph 3 above.

**Duxbury's passing off right claim in the opposition to Swansea's application**

49. Section 5(4)(a) states:

> "A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented –
>
> > (a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, or
> > (b)...
> >
> > A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of "an earlier right" in relation to the trade mark."

50. Halsbury's Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165 provides the following analysis of the law of passing off. The analysis is based on guidance given in the speeches in the House of Lords in *Reckitt & Colman Products Ltd v. Borden Inc.* [1990] R.P.C. 341 and *Erven Warnink BV v. J. Townend & Sons (Hull) Ltd* [1979] AC 731. It is as follows:

> "The necessary elements of the action for passing off have been restated by the House of Lords as being three in number:
>
> (1) that the plaintiff's goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature;
>
> (2) that there is a misrepresentation by the defendant (whether or not intentional) leading or likely to lead the public to believe that the goods or services offered by the defendant are goods or services of the plaintiff; and

(3) that the plaintiff has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant's misrepresentation."

51. In *SWORDERS Trade Mark*[16] I summarised the relevant date in s.5(4)(a) proceedings as follows:

> 'Strictly, the relevant date for assessing whether s.5(4)(a) applies is always the date of the application for registration or, if there is a priority date, that date: see Article 4 of Directive 89/104. However, where the applicant has used the mark before the date of the application it is necessary to consider what the position would have been at the date of the start of the behaviour complained about, and then to assess whether the position would have been any different at the later date when the application was made.'

52. As I have found that the goodwill generated by Swansea's use of the mark shown at paragraph 2 above accrues to NWDA (or NWDA and LU), and has not created a separate goodwill owned or partly owned by Swansea, it follows that Swansea's application to register the mark must be considered on the basis that Swansea has no prior goodwill in the mark. Therefore the question of whether Swansea's use of the mark was liable to be restrained under the law of passing off must be assessed at the first relevant date on the basis that Swansea intended to start using the mark on its own account, unrestricted by the licence granted to it by NWDA.

53. The mark in question is substantially the same as the earlier right shown in paragraph 3. The apparent variation in colour is merely the result of the variability in re-producing colour accurately. Both representations are intended to show the same shade of green. The words 'Cymru' and 'Wales' are merely descriptive additions to the LEAD logo clearly intended to identify the geographical area within which the LEAD programme was to be delivered. However, normal and fair use of the mark would include use of it anywhere in the UK.

54. I find that use of the mark shown at paragraph 2 above at the first relevant date, outside of the terms of the licence from NWDA, would have constituted a misrepresentation that the educational programme being offered was part of the pre-existing LEAD programme. That misrepresentation would have been likely to deceive a substantial number of persons, particularly those businesses and business people in Wales and the North West of England who had been exposed to the LEAD programme established and operated under the quality controls of NWDA.

[16] BL O-212-06

55. The goods and services covered by Swansea's application are as follows:

> Class 16
> Printed material, matter & publications; booklets; books; newsletters; pamphlets; prospectuses; teaching material; training guides & manuals
>
> Class 35
> Advisory, assistance, consultancy & research services for business & industry; business management advice, assistance & consultancy; business organisation advice, assistance & consultancy; commercial & industrial management advice, assistance & consultancy
>
> Class 41
> Training; provision of training courses; provision of training to business & industry; provision of training in business, management, human resources, people management & business finance; provision of training to senior managers, owner managers & business executives; provision of personal development training; business coaching & mentoring; publication of training material & matter; provision of training workshops

56. It is obvious that these descriptions are intended to cover the goods and services provided through the delivery of the LEAD programme. Swansea has not suggested otherwise. Consequently, I find that use of Swansea's mark in relation to these goods/services at the first relevant date would have constituted a misrepresentation to the public.

57. Use of the contested mark outside the terms of the licence from NWDA would clearly have damaged NWDA's goodwill by diluting the distinctiveness of the LEAD logo. Further, it may have led to damage to NWDA's reputation as a result of its loss of control over Swansea's use of the LEAD logo.

58. I therefore find that Swansea's use of the mark shown at paragraph 2 above at the first relevant date would have been liable to be prevented under the law of passing off. The ground of opposition under s.5(4)(a) therefore succeeds.

**The bad faith ground of opposition to Swansea's application**

59. Section 3(6) of the Act states:

> **"**(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith."

60. The law in relation to section 3(6) of the Act ("bad faith") was summarised by Arnold J. in *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited*[17] as follows:

[17] [2012] EWHC 1929 (Ch)

“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)."

61. As indicated in point 7 of Arnold J.'s summary of the relevant case law above, the question is not whether Swansea thought it was acting reasonably, but whether knowing what Swansea knew at the time, its behaviour would have been regarded as dishonest, or falling short of the standards of acceptable commercial behaviour, by ordinary standards of honest people.

62. As regards what Swansea knew, it appears from the evidence of Mr Flanagan and Ms Smith that Swansea did not know who had bought NWDA's rights in the LEAD programme at the first relevant date. However, it appears clear from the

evidence that Swansea was aware that it might be bought by a commercial company.

63. Ms Cookson pointed out that the NWDA still existed at the first relevant date. Swansea was a licensee of NWDA. Even on Swansea's evidence, NWDA held a 50% share in the intellectual property rights in the mark in Swansea's application. In view of these contractual rights, Swansea had a particular obligation to act with proper regard to the interests of NWDA. The very existence of the licence required as much, but in fact in one of its terms expressly committed Swansea to act *"in utmost good faith towards and co-operate with the NWDA at all times...."*.

64. Swansea's answer to this is that the NWDA was shortly to cease to exist. However, I do not find that a satisfactory explanation for the application in circumstances where Swansea knew that NWDA's rights might be assigned. Indeed, it was partly Swansea's fear about who might purchase those rights that prompted the application.

65. Ms Cookson characterised this as Swansea *"picking the pockets of the dying man".* That is a colourful way of putting it. The application was more like an insurance policy against the contents of those pockets falling into unsuitable hands. Nevertheless, I find that Swansea's decision to apply to register the mark in its own name, without waiting to find out who had purchased NWDA's rights, fell short of the standards of acceptable commercial behaviour judged by ordinary standards of honest people.

66. In reaching this conclusion, I have taken into account Ms Smith's evidence that LU consented to Swansea's application. There is no evidence from LU and there is no evidence of any written consentto the trade mark application. I accept that Swansea may have thought that it had LU's tacit consent. The difficulty with this is that the agreement of 25 March 2009 between NWDA and LU meant that LU had no right to grant Swansea a licence to use the mark, let alone to consent to register it in its own name.

67. I have also taken into account Swansea's offer to Duxbury to permit it to become a joint applicant to its application. However, as the question of bad faith falls to be decided at the date of filing the application, Swansea's subsequent offer to allow Duxbury to become joint applicant cannot cure the unacceptable standard of Swansea's behaviour at the first relevant date.

68. For these reasons I find that Swansea's application was contrary to s.3(6) of the Act.

**Swansea's opposition to Duxbury's application based on its earlier mark**

69. As I have refused Swansea's application (subject to appeal), Swansea has no earlier trade mark and the ground of opposition under s.5(2) therefore fails.

**Swansea's opposition to Duxbury's application based on an earlier right**

70. As I have found that the goodwill generated under the version of the LEAD logo used in Wales accrued to NWDA (or NWDA and LU), it follows that Swansea is not the proprietor of an earlier right. The ground of opposition under s.5(4)(a) therefore also fails.

**The bad faith ground of opposition to Duxbury's application**

71. I have rejected Swansea's claim that Duxbury did not own NWDA's goodwill under the mark shown as paragraph 3 above at the second relevant date. The other aspect of Swansea's pleaded case is that the goodwill was shared with LU. This appears to be a pleading that Duxbury's application was filed in bad faith because it failed to recognise the property rights of LU.

72. There is nothing in law which prevents an opponent from pleading a case of bad faith on the basis of bad faith to a third party. However, such a case is likely to be difficult to establish in fact, at least without evidence from that third party. As I have already noted, LU has not filed any evidence.

73. Further, although I have found that the agreement of 25 March 2009 between NWDA and LU probably gave LU a share of the goodwill created under the LEAD logo, I also found that the matter is unclear because of the subsequent agreement between these parties which appears to assign the intellectual property rights generated through LU's part in the delivery of the LEAD programme in the North West of England to NWDA.

74. Bearing in mind that an *"allegation of bad faith is a serious allegation which must be distinctly proved",* I do not find the evidence sufficient to find that Duxbury acted in bad faith as regards LU's interest in the contested mark.

75. I therefore reject the s.3(6) ground of opposition to Duxbury's application.

**Costs**

76. Duxbury has been successful and is entitled to a contribution towards its costs. In the circumstances I award Duxbury the sum of £2500 as a contribution towards the cost of the proceedings. The sum is calculated as follows:

£650 for filing the notice of opposition to Swansea's application, considering the counterstatement, and filing a counterstatement to Swansea's opposition to its own application.

£1200 for filing evidence and considering Swansea's evidence.

£650 for attending a hearing and filing a skeleton argument.

77. I therefore order Swansea University to pay Duxbury Projects Limited the sum of £2500. The above sum should be paid within seven days of the expiry of the appeal period or within seven days of the conclusion of any appeal.

**Dated this 17th day of December 2014**

**Allan James**
**For the Registrar**