O/590/20

TRADE MARKS ACT 1994

IN THE MATTER OF:

INVALIDITY APPLICATION No. 501916

IN THE NAME OF KUROBUTA LTD

FILED IN RESPECT OF

REGISTERED TRADE MARK No. 3222206

IN THE NAME OF SCOTT HALLSWORTH

DECISION

1. This is an appeal from the Decision of Mr Matthew Williams issued on behalf of the Registrar of Trade Marks under reference BL O/259/19 on 16 May 2019 in which he determined that the registration of Trade Mark No. 3222206 standing in the name of Scott Hallsworth ("the Proprietor") should be declared partially invalid for conflict with the "earlier right" invoked by Kurobuta Ltd ("the Applicant") to claim protection by virtue of the law of passing off for the goodwill built up and acquired through use of the name and mark **KUROBUTA**.

2. At the beginning of his Decision, the Hearing Officer accurately summarised the dispute between the parties in the following terms (with emphasis added): *"This cancellation application involves, on one side, an acclaimed chef (Scott Hallsworth) behind the conception and establishment of London restaurants called "Kurobuta", and, on the other side, various companies that include that name (most recently Kurobuta Limited).The basis of the case is whether Mr Hallsworth had been entitled to apply for his trade mark registration for the word, or whether he was liable to have*

been prevented from doing so on the basis of the law of passing off. ***<u>The existence of goodwill arising from the restau ran ts' acti vit ies is not contested; rather the foremost</u>*** ***<u>questions concern concern ownership of the relevant goodwill, including whether it</u>*** ***<u>resided with Mr Hallsworth personally, or with companies through which the</u>*** ***<u>businesses operated and, ultimately, through various transactions, with the</u>*** ***<u>cancellation applicant.</u>***"

3. In paragraphs 21 to 53 of his Decision, the Hearing Officer considered and rejected all of the bases on which the Proprietor claimed ownership for himself of the relevant goodwill. There is no challenge to that part of the Decision. It follows that the Appeal in relation to the matters referred to in paragraph 4 below falls to be determined on the footing that the Proprietor's claim to ownership of the goodwill in question was rightly rejected.

4. In paragraphs 54 to 62 of his Decision, the Hearing Officer upheld the Applicant's right to bring a claim for a declaration of invalidity as proprietor of the "earlier right" it had invoked. His Decision to that effect is challenged on appeal. To the extent stated in paragraph 69 of his Decision, the Hearing Officer upheld the claim for a declaration of invalidity on the basis of conflict with the "earlier right" relied on. His Decision to that effect is also challenged on appeal, as is his order for payment by the Proprietor of £1,200 to the Applicant in respect of its costs of the proceedings in the Registry.

5. I turn first to the Proprietor's request for reversal of the Hearing Officer's Decision upholding the Applicant's right to bring a claim for a declaration of invalidity.

6. On 31 March 2017, the Proprietor applied to register **KUROBUTA** as a trade mark for use in relation to a wide range of goods and services in Classes 25, 29, 30, 35, 38, 39 and 43. The application proceeded to registration under number 3222206 on 1 September 2017.

7. On 21 December 2017, the Applicant applied under number 501916 for the registration of the Proprietor's trade mark to be declared invalid under s.5(4)(a) of the Trade Marks Act 1994. The claim for invalidity was raised and pursued by the Applicant in its Form

TM26(I) and Statement of Grounds upon the premise that *"use of the registered owner's trade mark would be contrary to law, in particular, the law of passing off"*.

8. In support of its claim for invalidity, the Applicant pleaded as follows:

"The Applicant has a long history of providing food and drink services, particularly in a restaurant environment, under the KUROBUTA trade name and mark ("The Earlier Mark") since 2013. The Applicant claims a right in title to the Earlier Mark on the basis that it purchased the Earlier Mark and the goodwill associated with the same from the Administrators for Kurobuta Chelsea Limited on 05 May 2017 and Kurobuta Marble Arch Limited on 30 June 2017. Attached and marked KU1 is Kurobuta Chelsea Limited's Notice of Administrator's Proposals ('The Report')."

"… the Applicant has generated and is the owner of significant goodwill and reputation in the Earlier Mark."

"The Applicant enjoys the right of title to the Earlier Mark. Due to the Applicant's purchases and business it has traded in the provision of food and drink, particularly restaurant good[s] and services in the United Kingdom under and by reference to the Earlier Mark since the latter part of 2013"

"… the Applicant purchased the Earlier Mark and the goodwill associated with the same as demonstrated in the Report. The Report provides that the goodwill is valued at a sum of £120,000. Therefore, there can be no doubt as to the fact that the Earlier Mark has generated considerable goodwill in respect of the goods and services of that of the Registered Mark."

"Accordingly as at the date of the application for the Registered Mark and / or at all material times the Applicant was and is the owner of substantial goodwill and / or reputation in the United Kingdom in the Earlier Mark. The Applicant has, and had at the date of application for the Registered Mark and / or at all material times, the right to prevent the use of the Registered Mark in relation to all the goods / services for which it is registered."

9. In his Counterstatement, the Proprietor disputed the Applicant's claim to an earlier right under s.5(4)(a) on various bases. Of particular relevance for present purposes were his contentions to the effect that:

"The Applicant was incorporated on 25 April 2017 and has no 'long history' of providing food and drink services under the Earlier Mark nor could it, as a matter of logic and reality, have provided such services since 2013."

"... Kurobuta Chelsea Limited ("KCL") and Kurobuta Marble Arch Limited ("KMA") did not own either the goodwill associated with the KUROBUTA name, or any unregistered KUROBUTA trade marks on which it seeks to rely and / or the Applicant did not take any valid assignment (including right or title) of the KUROBUTA trade name or trade mark or any associated goodwill therein for the reasons set out herein."

" *... at no point did the [Proprietor] ever assign his rights to the goodwill or unregistered trade mark rights in the KUROBUTA mark to KCL, KMA, or any other entity. Those rights did not belong to either KCL or KMA and were incapable of being purchased by the Applicant as asserted in the [Applicant's Statement of Grounds]."*

" ... for the reasons set out in this Counterstatement ... the Applicant has no rights in the Earlier Mark capable of founding this invalidity action."

10. In order to overcome these objections, it was necessary for the Applicant to establish that it had the right to pursue its claim for invalidity under s.5(4)(a) in accordance with the requirements of The Trade Marks (Relative Grounds) Order 2007 (SI No. 1976 of 2007).

11. Section 5(4)(a) of the Act provides (with emphasis added) that: *"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; ... **<u>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</u>**."*

12. Article 5(1) of the 2007 Order stipulates that: *"Only the persons specified in paragraph (2) may make an application for a declaration of invalidity on the grounds in section 47(2) of the Trade Marks Act 1994 (relative grounds)."* In the case of an application for a declaration of invalidity brought under s.5(4)(a) in combination with s.47(2)(b) of

the Act, the person specified in Article 5(2)(b) of the 2007 Order is (with emphasis added): "***the proprietor of the earlier right***".

13. It was clear from the evidence filed by the parties in the course of the Registry proceedings that the Applicant could not establish that it had a proprietary interest in the goodwill it was seeking to protect by means of its claim for invalidity under s.5(4)(a) without showing that it had become the successor in title to the goodwill generated by the trading activities of other 'Kurobuta' companies which had previously carried on business in the United Kingdom under and by reference to the name and mark **KUROBUTA**.

14. The main events in the timeline relating to the chain of title on which it relied on were as follows:

(i) **27 November 2013** Kurobuta Chelsea Ltd ("KCL") incorporated as Company No. 08792553.

(ii) **04 February 2014** Kurobuta Marble Arch Ltd ("KMA") incorporated as Company No. 08875955.

(iii) **31 March 2017** Filing date of the application for registration of Trade Mark No. 3222206.

(iv) **21 April 2017** Appointment of Joint Administrators of KCL.

(v) **25 April 2017** KBC Inc. Ltd ("KBC") incorporated as Company No. 10738562.

(vi) **25 April 2017** Kurobuta Ltd ("the Applicant") incorporated as Company No. 10738712.

(vii) **05 May 2017** Asset Sale Agreement between: (1) KCL (in administration); (2) Joint Administrators of KCL; (3) KBC.

(viii) **09 June 2017** KBM Inc. Ltd ("KBM") incorporated as Company No. 081143.

(ix) **30 June 2017** Appointment of Joint Administrators of KMA.

(x) **30 June 2017** Asset Sale Agreement between: (1) KMA (in administration); (2) Joint Administrators of KMA; (3) KBM.

(xi) **01 September 2017** Completion of the procedure for registration of Trade Mark No. 3222206.

(xii) **11 December 2017** Assignment between: (1) KBC; and (2) the Applicant.

(xiii) **11 December 2017** Assignment between: (1) KBM; and (2) the Applicant.

(xiv) **21 December 2017** Filing date of the Applicant's claim for invalidity under s.5(4)(a) of the 1994 Act.

15. The Asset Sale Agreements of 05 May 2017 and 30 June 2017 referred to at 8(vii) and 8(x) above were in substantially identical terms. They both post-dated the filing of the application for registration of the Trade Mark in suit.

16. Clause 2.1 provided (with emphasis added) that: "Subject to the terms of this agreement, the Seller shall sell and the Buyer, with a view to carrying on the **<u>Business</u>** as a going concern, shall purchase such right, title and interest (if any) as the Seller has and can transfer in the following assets at the Effective Time for the Purchase Price on the Completion Date [defined in Clause 1.1 as "the date of this agreement"]: (a) the **<u>Goodwill</u>**; … (f) the **<u>Business Intellectual Property Rights</u>**; … (j) any other property rights or assets of the Seller which are not otherwise listed in clause 2.1(a) to (h)".

17. Clause 2.2 provided that: "For the avoidance of doubt and without limitation, the following items are not included in the sale under this agreement: … (i) the benefit of any actual or potential claim, or right to make a claim, against any person (other than claims under the manufacturers or suppliers' warranties included in the Assets) including the proceeds of any litigation; …". Clause 1.16 confirmed (with emphasis added) that: "A reference to a **<u>claim</u>** includes any claim demand action or proceeding of any kind, actual or contingent".

18. The Proprietor contends that the effect of Clauses 1.16 and 2.2(i) of the Asset Sale Agreements was to exclude the right to **claim** a declaration that the Proprietor's Trade Mark was invalidly registered under s. 5(4)(a) of the 1994 Act from the scope of the *"assets"* acquired by the Buyers (KBC and KBM) under Clause 2.1 of the Agreements.

19. This contention (which I shall refer to as "**Contention A**") was not put forward for consideration in the submissions made on behalf of the Proprietor at the hearing below. I gave permission for it to be raised by amendment to the Grounds of Appeal. My reasons for permitting the amendment are recorded in the Transcript of the Decision I delivered orally on the first hearing day of the appeal on 15 January 2020. The supplementary case management directions thereafter given were as confirmed by email to the parties dated 20 January 2020.

20. The Assignments of 11 December 2017 referred to at 8(xii) and 8(xiii) above were in substantially identical terms. They not only post-dated the filing of the application for registration of the Trade Mark in suit, but were also made and entered into in favour of a company (the Applicant) which did not exist when the application for registration was filed on 31 March 2017.

21. In the recitals to the Assignments it was recorded that: "(A) The Assignor is the proprietor of the Goodwill that subsist KUROBUTA trade name (as defined below). (B) The Assignor has agreed to assign the Goodwill to the Assignee on the terms set out in this agreement". Clause 1.1 defined the Goodwill as: " the goodwill, custom and connection of the KUROBUTA trade name in relation to the Kurobuta business and the right to represent itself as carrying on the Kurobuta business". The Assignment in Clause 2 provided that: "In consideration of the sum of £1 (receipt of which the Assignor expressly acknowledges) the Assignor hereby assigns to the Assignee all its right, title and interest in and to the Goodwill including: (a) all statutory and common law rights attaching to the Goodwill; and (b) the right to bring, make, oppose, defend, appeal proceedings, claims or actions and obtain relief (and to retain any damages recovered) in respect of any infringement, or any other cause of action (including passing off) arising from ownership of the Goodwill whether occurring before, on or after the date of this agreement".

22. The Proprietor contends that these Assignments did not enable the Applicant to apply compliantly with the requirements of the 2007 Regulation for his registration of the trade mark **KUROBUTA** to be declared invalid under s.5(4)(a) of the Act as of the date with effect from which it was registered: 31 March 2017.

23. Two lines of argument are pursued to that effect. First, it is contended that the right to bring a claim for invalidity under s.5(4)(a) of the Act is confined by Articles 5(1) and 5(2)(b) of the 2007 Order to persons who can establish that they were ***"the proprietor of the earlier right"*** at the date with effect from which the relevant trade mark registration stands to be invalidated if the claim succeeds (in this case 31 March 2017) and that this is a qualifying requirement which the Applicant cannot by virtue of the Assignments or otherwise establish that it met (I shall refer to this as "**Contention B**"). Second, it is contended that the Assignments were ineffective for being "assignments in gross" (I shall refer to this as "**Contention C**").

24. Both of these contentions were put forward for consideration in the submissions made on behalf of the Proprietor at the hearing below.

25. **Contention A**. The breadth of the transfer effected by the Asset Sale Agreements of 05 May 2017 and 30 June 2017 can readily be appreciated by reading Clause 2.1 together with the definitions built into it: the **Business** refers to *"the business of a bar and restaurant carried on at the property by the Seller at the Effective Time"*; the **Goodwill** refers to *"the goodwill, custom and connection of the Seller in relation to the Business and the right of the Buyer to represent itself as carrying on the the Business in succession to the Seller together with the non-exclusive right for the Buyer to carry on the Business under the name [Kurobuta]"*; the **Business Intellectual Property Rights** refers to *"all Intellectual Property Rights owned, used or held for use by the Seller in, or in connection with, the Business"*; the **Intellectual Property Rights** refers to *"patents, rights to inventions, copyright and related rights, trade marks and service marks, trade names and domain names, rights in get-up, rights to goodwill or to sue for passing off or unfair competition, rights in designs, rights in computer software, database rights, rights in confidential information (including know-how) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such*

rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world".

26. It is clear that the Buyers (KBC and KBM) acquired from the Sellers (KCL and KMA) their main economic interests in the Businesses to which the Asset Sale Agreements related together with the right to safeguard the commercial value of **KUROBUTA** as a trade mark, service mark and trade name appurtenant to the goodwill of those Businesses by bringing an action for passing off to prevent other traders from using an identical or similar sign in a context and manner conducive to the existence of a likelihood of deception or confusion.

27. Nothing in the Agreements prevented the Buyers from proceeding to sue the Proprietor in passing off for engaging or threatening to engage in such conduct. The Proprietor would not have been able (according to the Hearing Officer's Decision) to set up an independent or prior right to use the sign **KUROBUTA** in answer to their claim. He would also have been unable to rely on his 31 March 2017 application for registration of the sign **KUROBUTA** as a defence to liability since registration confers no right to propagate deception or confusion in breach of the rights of other traders: "*nothing in this Act affects the law relating to passing off"* (s. 2(2) of the 1994 Act); *"This Directive should not exclude the application to trade marks of provisions of law of the Member States other than trade Mark law, such as provisions relating to unfair competition …"* (Recital 40 of the Recast Trade Marks Directive (Directive (EU) 2015/2436) repeating recitals to the same effect in previous versions of the Trade Marks Directive).

28. The "relative rights" objections to registration set out in ss.5(1) to (4) of the Act serve *"to ensure that trade marks whose use could successfully be challenged before the courts are not registered"*: Case C-39/97 <u>Canon K.K. v Metro-Goldwyn-Mayer Inc.</u> EU:C:1998:442 at para. [21]. In effect, they enable Registry proceedings to be brought for enforcement of the objector's rights in relation to anticipated transgression by use of the contested trade mark within the area(s) of trading activity covered by the list of goods and services contained in the contested application / registration. In a case such as the present, the objector's right under s.5(4)(a) is the right to seek determination by the Registrar of a putative claim for passing off. A right of that kind falls squarely within the provisions of Clause 2.1 of the Asset Sale Agreements entitling the Buyers (KBC

and KBM) to take action for the protection of their interest in the commercialisation of **KUROBUTA** as a trade mark, service mark and trading name appurtenant to the goodwill of the transferred Businesses.

29. Was it nonetheless a right to pursue a **claim** within the scope of Clause 2.2(i) as amplified by Clause 1.16 of those Agreements ? I do not think so. Clause 2 of the Asset Sale Agreements lists 'positively' in Clause 2.1 the *"assets"* that the Sellers *"shall sell"* and the Buyers *"shall purchase"* and 'negatively' in Clause 2.2 *"items"* that *"are not included in the sale under this agreement"*. I consider that the lists are on a systematic interpretation of Agreements intended to be mutually exclusive, with the result that *"assets"* within the scope of Clause 2.1 are for that reason not *"items"* within the scope of Clause 2.2 and *"items"* within the scope of Clause 2.2 are for that reason not *"assets"* within the scope of Clause 2.1. That to my mind points to the need for a distinction to be drawn between: (i) **claims** involving or amounting to the vindication of rights of ownership and control over the *"assets"* acquired by the Buyers (KBC and KBM) under Clause 2.1; and (ii) **claims** involving or amounting to the vindication of rights of ownership and control over *"items"* (not being *"assets"*) which the Sellers (KCL and KMA) retained for themselves under Clause 2.2. I see that distinction reflected in the exception for *"other than claims under the manufacturers or suppliers' warranties included in the Assets"* written into Clause 2.2(i).

30. I am accordingly satisfied that Clauses 1.16 and 2.2(i) of the Asset Sale Agreements did not exclude any right to **claim** a declaration that the Proprietor's Trade Mark was invalidly registered under s.5(4)(a) of the 1994 Act from the scope of the *"assets"* acquired by the Buyers (KBC and KBM) under Clause 2.1 of the Agreements and that the Buyers became via Clause 2.1 the successors in title to the Sellers with regard to ownership of the goodwill of the businesses to which the trade mark, service mark and trading name **KUROBUTA** was attached.

31. **Contention [B]**. The 1994 Act stated and continues to state in s.38 that: *"(1) When an application for registration has been accepted, the registrar shall cause the application to be published in the prescribed manner. (2)* ***Any person*** *may ... give notice to the registrar of opposition to the registration"*; and in s.47(3) that: *"An application for a declaration of invalidity may be made by* ***any person*** *..."*.

32. I noted with reference to these provisions in WILD CHILD Trade Mark [1998] RPC 455 at pp. 458, 459 and BALMORAL Trade Mark [1999] RPC 297 at p. 299 that a person objecting to the registration of a trade mark on relative grounds did not need to be the proprietor of the earlier registered or unregistered trade mark upon which the objection was based. However, that ceased to be the position with effect from 01 October 2007 when Articles 2 and 5 of the 2007 Order superimposed on the references to **"any person"** in ss.38(2) and 47(3) of the Act a requirement for the objector to be the proprietor of the *"earlier trade mark or other earlier right"* relied on.

33. Article 2 of the Order specifies that registration shall not be refused on the basis of a relative ground of objection in opposition proceedings under s.38 *"unless objection on that ground is raised ... by the proprietor of the earlier trade mark or other earlier right"*. For the purposes of that Article, the question to be asked and answered is simply whether the *"objection ... is raised"* by a person proprietorially entitled to the earlier trade mark or other earlier right relied on. Likewise the question to be asked and answered for the purposes of the provisions of Article 5 identified in paragraph 12 above is simply whether the *"application for a declaration of invalidity"* is made by a person proprietorially entitled to the earlier right relied on under s.5(4)(a).

34. I do not accept the submissions made on behalf of the Proprietor to the effect that the word *"earlier"* in the expressions *"earlier trade mark"* and *"earlier right"* as used in the context and for the purposes of the 2007 Order and ss. 5(1) to (4) of the 1994 Act establishes a temporal requirement which the objector must satisfy by having been proprietorially entitled to the cited *"earlier trade mark or other earlier right"* at the date with effect from which the relevant trade mark application / registration stands to be rejected if the objection succeeds.

35. The 2007 Order does not bring down a guillotine on that date so as to preclude claims to proprietorship based on subsequent acquisition of the cited *"earlier trade mark or other earlier right"*. The changes made by that Order serve to prevent persons with no proprietorial interest in the *"earlier trade mark or other earlier right"* from objecting to the trade mark application / registration against which it is cited. They do not to any degree serve to shield the trade mark application / registration from attack when or because the *"earlier trade mark or other earlier right"* may have changed hands

between: (i) the date with effect from which the contested application / registration was sought to be protected; and (ii) the date on which the objection to it was filed by the person proprietorially entitled to enforce the cited *"earlier trade mark or other earlier right"*. The first of those dates defines the point in time as at which the sustainability or otherwise of the objection to the contested application / registration falls to be determined. The second date (which can be years after the first date) defines the point in time as at which the objector's entitlement to raise the objection falls to be determined. And within the scheme of the applicable legislation, a successor in title has just as much right to enforce *"an earlier trade mark or other earlier right"* protected on the basis of antecedent use (s.5(4)(a) of the Act) as on the basis of antecedent registration (ss 5(1) to (3) of the Act).

36. The Hearing Officer correctly decided in paragraph 18 of his Decision that *"there is good reason to regard the term 'the proprietor of an earlier right' at face value, with the consequence that if the Applicant establishes that the various transactions indeed passed it the relevant goodwill, then it is entitled to rely upon the earlier right as proprietor"*. He went on to hold in paragraphs 21 to 53 that the relevant goodwill was owned by KCL and KMA to the exclusion of the Proprietor. There is, as I have said, no challenge to his determination to that effect. In paragraph 54 he noted that if that was (as it was) held to be the position, the Proprietor *"accepted that KCL and KMA assigned their goodwill to KBC Inc and KBM Inc respectively"* via the Asset Sale Agreements of 05 May 2017 and 30 June 2017. He went on to hold in paragraphs 55 to 62 that the Applicant had validly and effectively acquired the relevant goodwill from KBC and KBM via the December 2017 Assignments with the result that *"the Applicant had actionable goodwill at the relevant date based on the provision [of] food and restaurant services"*. The Proprietor challenges that conclusion on the basis of Contention [C].

37. **Contention [C]**. The Proprietor maintains in paragraph 2 of his Grounds of Appeal that the December 2017 Assignments were ineffective by virtue of the common law rule prohibiting "assignments in gross" because they *"purported to assign the goodwill without the assignee taking over any relevant interest in the business to which the goodwill related and were therefore ineffective, being inherently deceptive"*. In that connection he points to the absence of any evidence that the Applicant has engaged in

any trading activity and to the balance sheet it filed at Companies House on 08 January 2019 showing *"Total Shareholders Funds £100"* and stating : *"For the year ending 30 April 2018 the company was entitled to exemption under section 480 of the Companies Act 2006 relating to dormant companies"*.

38. The Assignments are alleged to have been ineffective on the "less common" of the two bases referred to by Professor Wadlow in The Law of Passing Off (Fifth Edition, 2016) at paragraph 3-197, where he states (with emphasis added and footnotes omitted):

> "An assignment in gross can take two forms. The more common is for the owner of goodwill to purport to grant to a third party the bare right to use a mark which is distinctive of the assignor, there being no connection between the two which would justify its use by the assignee. The less common is for the assignor to purport to assign his good will in whole or in part without the assignee taking over any relevant interest in the business to which the goodwill related. An example is to be found in *Barnsley Brewery Co Ltd v RBNB* in which the goodwill and name of the former Barnsley Bitter were purportedly assigned to the plaintiffs 20 years after the relevant business had been discontinued. **Both categories of transaction are regarded at common law as inherently deceptive. They are consequently ineffective to confer any rights on the assignee as against the world at large, and are likely to result in the relevant goodwill becoming inherently unprotectable.** The same principle applies to transactions such as licences which are not assignments as such but which have similar effects.
>
> Deceptiveness aside, some authorities have defined goodwill in terms which suggest it is inherently incapable of being separated from the business to which it relates. Likewise, and subject to s.24(6) Trade Marks Act 1994, it must be doubted whether a "common law trade mark" is a right of property capable of assignment at all. However, this in itself is not conclusive, because if otherwise unobjectionable, a purported assignment could be given effect in equity as an exclusive licence. **The rule against assignments in gross is therefore better understood as one founded at least in part on public policy**."

39. The thrust of the objection is that the Assignments stopped short of transferring to the Applicant the business interest it needed to acquire in order to invest it with proprietorship of **KUROBUTA** as a trade mark at common law. The Proprietor relies on Star Industrial Company Ltd v Yap Kwee Kor t/a New Star Industrial Company [1976] FSR 256 at p.262 as: *"approving the following statement of the law: 'a purchaser of a mark becomes owner of it only if he becomes at the same time purchaser*

of the manufactory or the business concerned in the goods to which the mark has been affixed'".

40. On turning to the Fleet Street Report of the Judgments in the Star Industrial case, the *"statement of the law"* relied on by the Proprietor can be found at p. 262 in the Judgment of Choor Singh J at first instance in Singapore, supported by reference to John Sinclair Ltd's Trade Mark [1932] Ch 598 (C.A.) and the passage in R.J. Reuter Co. Ltd v Mulhens [1954] 1 Ch 50 (C.A.) at p. 85 where Sir Raymond Evershed MR pointed out that in Lacteosote Ltd v Alberman [1927] 2 Ch 117 Clauson J had relied on Leather Cloth Co. v American Leather Cloth Co. (1865) H.L.C. 523 *"as the leading authority for the proposition that a purchaser of a mark becomes owner of it only if he becomes at the same time purchaser of the manufactory or business concerned in the goods to which the mark has been affixed"*.

41. These cases provide the legal underpinning for the *"statement of the law"* on which the Proprietor relies. There was no analysis or discussion of them in the Judgment of the Court of Appeal in Singapore or in the Judgment of the Privy Council on further appeal. They were, however, among the cases examined from a historical perspective by Lord Nicholls of Birkenhead in his modernising Judgment in Scandecor Developments AB v Scandecor Marketing AB [2001] UKHL 21. They and the *"statement of the law"* for which they are cited by the Proprietor need to be considered both in the light of the law as stated by the Privy Council in Star Industrial and in the light of the law as stated by the House of Lords in Scandecor. I shall first consider the position reached in Scandecor and then turn back to consider the position reached in Star Industrial.

42. In Scandecor, Lord Nicholls identified the prevailing approach to *"Trade marks and quality assurance"* in the following terms:

> "12. The quality of goods on offer is at the heart of all trading activities. As long as trading has existed, buyers have sought information and assurance about the quality of the merchandise on display. The use of trade marks is an integral part of this activity. But the manner in which business activities are carried on today is vastly different from what it was in the early 19th century when the law relating to trade marks was first developed. Labour is more mobile, business enterprises are larger and less personal, businesses and parts of businesses change hands more often. With the growth of mass markets and intensive advertising many brand names have become very valuable. In this image-

conscious age trade marks are an important marketing tool. Licensing has become commonplace.

13. The law relating to trade marks has responded to these changing conditions. Restrictions on the sale of trade marks have gradually been eased. So have restrictions on a trade mark owner's ability to license others to use his mark. The origin of these restrictions was the realisation that if a trade mark could be sold, or its use licenced to others, the mark would in some circumstances inevitably become deceptive. Its use by an assignee or licensee could mislead the public. But whether the use of a trade mark is potentially misleading depends upon the message which a trade mark conveys to customers. This message, too, has undergone changes in course of time, in response to the changes in the way businesses are conducted. As business practices have changed, so there have been changes in the message which a trade mark is understood to convey about the business source denoted by the mark."

43. He identified the prevailing approach to trade marks as *"An indication of origin"* in the following terms:

"18. The need to distinguish the business source of goods is as old as trading itself. A maker of goods seeks to acquire and maintain a reputation for the quality of his goods, thereby encouraging customers to prefer his goods to those of his competitors. So he places a recognisable mark on his goods to distinguish them from the goods of others. It is in the public interest that he should be able to do so, and that he should be able to prevent others from using his chosen mark. The ability to apply a mark to goods encourages makers of goods to set and maintain quality standards. It enables customers to make an informed choice between different goods available in the market.

19. Although the use of trade marks is founded on customers' concern about the quality of goods on offer, a trade mark does not itself amount to a representation of quality. Rather it indicates that the goods are of the standard which the proprietor is content to distribute 'under his banner': see Laddie J, in *Glaxo Group v Dowelhurst Ltd* [200] FSR 529, 540-541. The concept of the owner of a mark holding himself out as responsible for the quality of the goods sold under his mark was noted by Lord Wright in *Aristoc Ltd v Rysta Ltd* (1945) 62 RP 65, 82:

> 'The word "origin" is no doubt used in a special and almost technical sense in this connection, but it denotes at least that the goods are issued as vendible goods under the aegis of the proprietor of the trade mark, who thus assumes responsibility for them, even though the responsibility is limited to selection, like that of the salesman of carrots on commission in *Major v Franklin* [1908] 1 KB 712. By putting them on the market under his trade mark he vouched his responsibility …'.

Thus, in relying on a trade mark consumers rely, not on any legal guarantee of quality, but on the proprietor of a trade mark having an economic interest in maintaining the value of his mark. It is normally contrary to a proprietor's self-interest to allow the quality of the goods sold under his banner to decline."

44. He addressed the way in which *"The common law"* has evolved in these respects in paragraphs [20] to [22]:

> "20. In the early days of the 19th century no one supposed that a proprietor of a trade mark could sell the right to use his mark. A trade mark was personal. It was regarded as evidence available in a passing off action as tending to show that the defendant was passing off his goods as those of the plaintiff. But gradually trade marks increased in importance until, in the words of Fry LJ in *Pinto v Badman* (1891) 8 RPC 181, 194, Lord Westbury LC surprised the profession by asserting that there might be property in a trade mark. The question which then agitated the courts was whether, and in what circumstances, this new property right could be assigned. Lord Westbury gave the answer himself in *The Leather Cloth Co Ltd v The American Leather Cloth Co Ltd* (1863) 4 De G J & S 137. On appeal to this House Lord Cranworth, at 11 HLCas 523, 533, 534, observed that the right to a trade mark is a right closely resembling, although not exactly the same as, copyright:
>
> > 'The right to a trade mark may, in general, treating it as property, or an accessory to property, be sold or transferred upon a sale and transfer of the manufactory of the goods on which the mark has been used or affixed, and may lawfully be used by the purchaser.'
>
> So the law became that a trade mark be sold, but not separately from the business in which it is used. Nor may a trade mark be assigned when it connotes a personal connection between the original owner of the mark and the goods in respect of which it is used: see *Pinto v Badman* (1891) 8 RPC 181, 194, 195, per Fry LJ. An instance of the latter is an artist's mark on his own artistic works.
>
> 21. I pause to note that the recognition that a trade mark is saleable represents a significant development in the conception of what a trade mark indicates. A trade mark is not usually to be understood as a representation regarding the identity of the source, namely, who is in control of the business in which the mark is being used. Rather, with the changes in trade, a trade mark can 'fairly be held to be' only a representation that the goods were manufactured in the course of the business using the mark, without any representation as to 'the persons by whom that business was being carried on': see Romer LJ in *Thorneloe v Hill* [1894] Ch 569, 574.
>
> 22. This approach accords with business reality and customers' everyday expectations. Customers realise there is always the prospect that, unbeknown to them, the management of a business may change. To confine the use of a trade mark to the original owner of a business would be to give the concept of a business origin or business source an unrealistically narrow and impractical meaning. Of course, the new management, the new owners, may not adhere to the same standards as the original owner. But the risk of an unannounced change

> of standards is ever present, even when there has been no change in management. An owner may always decide to change his quality standards. As already noted, customers rely on it being in the owner's self-interest to maintain the value of his mark. The self-interest of the owner of a trade mark in maintaining its value applies as much to a purchaser of the mark as it does to the original owner."

45. I think it is clear from paragraph [22] in the context of the other paragraphs I have quoted from Lord Nicholls' Judgment that the common law must be taken to have evolved to the point at which the source identification and quality assurance functions of a trade mark should generally be seen as transferable with, rather than regarded as constraints on the transferability of, the right to prevent others from using it.

46. That, to my mind, leaves no real room for a transfer of trade mark rights to be treated as ineffective at common law simply on the basis of a "deemed" (as opposed to an actual) likelihood of deceptiveness ensuing.

47. I consider that to be borne out by Lord Nicholls' observations in relation to the use of trade marks under licence in paragraphs [38] and [39]:

> "38. Thus, the wider interpretation, according to which the source may be either the proprietor or an exclusive licensee, would not be at variance with customers' perceptions. Customers are well used to the practice of licensing of trade marks. When they see goods to which a mark has been affixed, they understand that the goods have been produced either by the owner of the mark or by someone else acting with his consent.
>
> 39. Nor does the wider interpretation undermine the protection which a trade mark is intended to afford customers. For their quality assurance customers rely on the self-interest of the owners. They assume that if a licence has been granted the owner can be expected to have chosen a suitable licensee and imposed suitable terms. They also assume that during the currency of any licence the licensee, as well as the owner, is likely to have an interest in maintaining the value of the brand name. Customers are not to be taken to rely on the protection supposedly afforded by a legal requirement that the proprietor must always retain and exercise an inherently imprecise degree of control over the licensee's activities."

48. The analysis in paragraphs [23] to [32] of his Judgment shows that although the strictures of the common law with regard to the transfer of trade mark rights "in gross"

were carried forward by *"The early Trade Marks Acts"*, they were subsequently modified in important respects by *"The Trade Marks Act 1938"*.

49. He specifically identified <u>John Sinclair Ltd's Trade Mark</u> and <u>Lacteosote Ltd v Alberman</u> as examples of the *"unsatisfactory consequences"* of applying the prohibition (located in the common law rule carried forward in relation to registered trade marks by *"The early Trade Marks Acts"*) on assignment of a registered trade mark separately from the relevant business.

50. The *"unsatisfactory consequence"* brought about in <u>John Sinclair's Trade Mark</u> was cancellation of the recordal of an assignment by means of which Carreras Ltd had for nominal consideration assigned to John Sinclair Ltd *"all the trade mark now standing upon the Register of Trade Marks ... and therein numbered 437,870 in Class 45, together with the goodwill of the business concerned in the goods with respect to which the said trade mark is registered"*. This was regarded as objectionable on the basis that the parties *"did not intend to assign the business of selling and dealing in manufactured and unmanufactured tobacco to John Sinclair Ltd. They were really dealing with this trade mark within narrow limits"* (per Lord Hanworth MR at p.616); *"no goodwill was intended to pass, except such as would necessarily attach to the trade mark on its assignment"* (per Lawrence LJ at p. 621); and *"all that passed to them under the assignment in respect of goodwill was a goodwill, if there can be such a thing, in the sale of cigarettes, or it may be tobacco generally, under the name of 'Tatler'"* (per Romer LJ at p. 621).

51. With regard to the modification of the law effected by the 1938 Act, Lord Nicholls observed:

> "26. The Trade Marks Act 1938 made two changes in this field, one relating to assignments, the other to licensing. The prohibition on assignment of a registered mark separately from the relevant business gave rise to unsatisfactory consequences in practice. The unsatisfactory results were exemplified in cases such as *Lacteosote Ltd v Alberman* (1927) 44 RPC 211 and *In the Matter of Trade Mark No. 437,870 of John Sinclair Ltd* (1932) 49 RPC 123. This prohibition was relaxed by the 1938 Act. Under this Act a registered trade mark was assignable either in connection with the goodwill of a business or not. An assignment of a mark which was not accompanied by an assignment of the goodwill of the business in which the mark was used had to be publicly

advertised. But the relaxation was not total. As a safeguard, the proprietor's ability to assign his mark was made subject to the proviso that that assignment was not permissible if it would result in more than one person having the right, whether under the common law or by registration, to use the same or similar marks in relation to the same description of goods and that would be likely to deceive or cause confusion: see section 22(4).

27. That was the first change. In *R J Reuter Co Ltd v Mulhens* (1953) 70 RPC 235, 250, Sir Raymond Evershed MR described this as a 'far-reaching and significant change' in trade mark law, in which it had been previously regarded as 'fundamental' that trade marks could not be separated from the business of origin and from the goodwill of that business. This change was a further step in the evolution of the trade mark message. No longer was the mark taken as a representation that the current business was a continuation of the business in which the mark had originally or successively been used. Now a person might buy a registered mark without the goodwill of the existing business and then use the mark in his own new business. Under the 1938 Act a trade mark was taken to denote only that the goods came from the course comprising the person who was currently the owner of the mark, whoever he might be, and however long or short lasting his period of ownership might be. Customers rely upon the self-interest of the current owner to maintain the value of the mark currently belonging to him."

52. The common law rule was modified by the 1938 Act on the recommendation of the Departmental Committee appointed in January 1933 to consider and report on the Law and Practice Relating to Trade Marks.

53. The Committee addressed the *"Assignment of Trade Marks"* in paragraphs 102 to 116 of its Report published in April 1934 (Cmnd 4568). Having stated in paragraph 102 that *"The most important matter we have had to consider relates to the conditions under which trade marks may be assigned"*, it referred in paragraph 103 to the rule laid down in the *"old case law"* relating to assignment and went on in paragraph 105 to record that many members of the commercial community had been taken by surprise by the vitiating effect it had on the trade mark assignment in issue in the (then recent) case of John Sinclair Ltd's Trade Mark.

54. The Departmental Committee summarised the large volume of evidence it had received on the subject of assignment and assignability in paragraph 107 of its Report:

"Our law governing the assignment of trade marks is based upon the theory that a trade mark owes its value to the goodwill and reputation of the business concerned. This theory is no longer universally correct. Under modern

> conditions of trading the tendency is for the business to be built up around the trade mark, and the commercial view to-day is that the goodwill of a business frequently is inherent in the trade mark itself. The Statute and common law on the subject are based largely upon obsolete conditions and take no account of this change in view."

55. These criticisms went to the heart of the rule laid down by *"the old case law"*. They prompted a fundamental relaxation of the rule in relation to the assignment of trade marks within the framework of the 1938 Act. The relaxation of the rule is now complete in relation to the assignment of trade marks under the Trade Marks Act 1994, with assignment being generally acceptable but subject to the sanction of the transferred mark being deprived of protection if it becomes a source of deception in the hands of the assignee. For the reasons I have given in paragraphs 42 to 47 above, I understand it to have been decided in Scandecor that the source identification and quality assurance functions of a trade mark should generally be regarded as transferable with the right to prevent others from using it. With that being the position for the purposes of the common law rule, whether or not the trade mark in question happens to be registered.

56. The statement of the law on which the Proprietor relies (as noted in paragraphs 39 and 40 above) encapsulates the rule laid down by *"the old case law"*. If I were to apply the strictures of that rule to the December 2017 Assignments, I would be turning the clock back to the era of *"unsatisfactory consequences"* (as they were described by Lord Nicholls) and *"obsolete conditions"* (as they were described in the Departmental Committee Report). That approach is not, in my view, envisaged or required either by the Judgment of the Privy Council in the Star Industrial case or by the Judgment of the House of Lords in the Scandecor case.

57. The following account of the background to the dispute in the Star Industrial case is drawn from the Judgment of the Privy Council delivered by Lord Diplock.

58. The plaintiff (appellant) (referred to as "the Hong Kong Company") had by 1965 established a reputation and goodwill associated with the get-up (featuring the words "ACE BRAND" and a "Red A" device consisting of a capital letter A enclosed in a red circle) under which its toothbrushes were sold in Singapore. However, in October 1965 the Government of Singapore imposed an import duty on toothbrushes which brought

to an end that part of the Hong Kong Company's business which consisted of manufacturing toothbrushes for export to Singapore either for sale there or for re-export to other countries.

59. In 1968 the Hong Kong Company set up a new company in Singapore (referred to as "the Singapore Company") in which it held 50% of the share capital. The remaining 50% was held by two existing Singapore companies in which the Hong Kong Company had no financial interest. The agreement to set up the Singapore Company was entered into on 22 August 1968. It provided for the Singapore Company to manufacture plastic products in factories in Singapore using moulds supplied and full technical assistance received from the Hong Kong Company. The agreement referred to the ACE BRAND mark and get-up as "the Red 'A' trade mark". The Singapore Company was *"allowed to use the Red 'A' trade mark in Singapore and other markets free of rent or royalties for the period of 10 years with priority for renewal"*. For technical assistance and services in connection with moulds the Hong Kong Company was to receive a royalty of 3% on the total sales of the Singapore Company.

60. The defendant (respondent) manufactured toothbrushes in Singapore. In 1968 he changed the business name under which he was trading to "New Star Industrial Company" and adopted a get-up for his toothbrushes which was indistinguishable from that previously used by the Hong Kong Company except that the letter C in the word ACE was replaced by the letter G. The Hong Kong Company (proceeding as sole plaintiff) brought an action for passing off against the defendant (respondent) in February 1971. The claim failed on the basis of concurrent findings at first instance and on appeal to the Court of Appeal in Singapore to the effect that: at the time the writ commencing the proceedings was issued, the Hong Kong Company was not itself carrying on any business in Singapore; that it had not, since the imposition of the import duty in October 1965, manufactured any toothbrushes for export to Singapore; and that it had no intention of itself resuming this part of its former trade. Those findings were held on further appeal to the Privy Council to be fatal to its claim for passing off.

61. With regard to the legal requirement for the Hong Kong Company to be the owner of a proprietary right in the goodwill of a business entitled to protection in Singapore, Lord Diplock observed at p.269: *"Goodwill, as the subject of proprietary rights, is incapable*

of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it in each. So when the business is abandoned in one country in which it has acquired a goodwill the goodwill in that country perishes with it although the business may continue to be carried on in other countries.(See Inland Revenue Commissioners v Muller & Co.'s Margarine Ltd [1901] A.C. 217, per Lord Macnaghten at p.224; per Lord Lindley at p.235.) Once the Hong Kong Company had abandoned that part of its former business that consisted in manufacturing toothbrushes for export to and sale in Singapore it ceased to have any proprietary right in Singapore which was entitled to protection in any action for passing off brought in the courts of that country".

62. The claim for passing off failed because the Star Industrial Company had abandoned the business on which it depended for its claim to proprietorship of a protectable goodwill in Singapore, not because it was prevented from proceeding by the common law rule against "assignments in gross".

63. With regard to the possibility of assignment of the proprietary right which the Hong Kong Company had built up and acquired through use of "the Red 'A' trade mark" in the course of carrying on business in Singapore prior to October 1965, Lord Diplock observed at p.270 (with emphasis added): *"It is conceded on behalf of the Hong Kong Company that the right of user of the unregistered mark or get-up intended to be conferred upon the Singapore Company was exclusive; the Hong Kong Company could no longer use it itself in relation to goods to be sold, or otherwise traded in, in Singapore.* ***At common law this right of user of the mark or get-up in Singapore was incapable of being assigned except with the goodwill of that part of the business of the Hong Kong Company in connection with which it had previously been used. So, if despite the temporary cesser of the Hong Kong Company's business in Singapore after the import duty on toothbrushes had been imposed in 1965, it still retained — as well it might (cf Mouson & Co. v Boehm (1884) 26 Ch D 398) — a residue of goodwill capable of being revived in 1968, any right of property in that goodwill would have passed to the Singapore Company under the Agreement****. The Singapore Company is not a party to these proceedings; and their Lordships express no view as*

to what rights, if any, it would have been entitled to enforce against the respondent if it had been the plaintiff in a passing-off action brought against him".

64. By comparison with the strictures of the rule laid down by *"the old case law"*, these (obiter) observations appear to me to have envisaged a more amenable and less controlling approach to the assignment of unregistered trade mark rights. The Hong Kong Company's business in Singapore was defunct and yet the agreement of 22 August 1968 which allowed the Singapore Company *"to use the Red 'A' trade mark in Singapore and other markets free of rent or royalties for the period of 10 years with priority for renewal"* would seemingly have been sufficient to invest it with proprietorship of the trade mark at common law on transfer of nothing more than a residual goodwill, capable of being revived, in that part of the business in which it had previously been used.

65. The agreement is at pp. 160 to 163 of the Record of Proceedings filed with the Judgment (Privy Council Appeal No. 11 of 1974: [1976] UKPC 2) in the BAILII database. It was a letter agreement providing for the Singapore Company to be established as a joint venture company and setting out a framework within which it was to operate. Although it confirmed that the Singapore Company would be allowed to use the Red 'A' trade mark, it did not on the face of it purport to effect (or provide for) a transfer to the Singapore Company of anything akin to *"the manufactory or the business concerned in the goods"* to which the trade mark had been affixed. The legal requirement for the right of user of the trade mark to be transferred with the goodwill of that part of the business in which it had previously been used cannot have been regarded as particularly demanding in circumstances where that agreement was viewed as at least capable of fulfilling it.

66. The December 2017 Assignments each effected a transfer by the Assignor of *"all its right, title and interest in and to the Goodwill including: (a) all statutory and common law rights attaching to the Goodwill; and (b) the right to bring ... pproceedings, claims or actions ... in respect of any ... cause of action ... arising from ownership of the Goodwill ..."*. Everything within the scope of *"the Goodwill"* was effectively transferred by the Assignor to the Assignee by means of these Assignments.

67. The *"Goodwill"* was defined (with emphasis added) as: *"the goodwill, custom and connection of the **<u>KUROBUTA trade name</u>** in relation to the **<u>Kurobuta business</u>** and the right to represent itself as carrying on the **<u>Kurobuta business</u>**"*. This conformed to the meaning of "goodwill" as defined in functional terms by Warrington J in <u>Hill v Fearis</u> [1905] 1 Ch 466 at p.471: *"... the goodwill of a business is the advantage, whatever it may be, which a person gets by continuing to carry on and being entitled to represent to the outside world that he is carrying on a business which has been carried on for some time previously"*.

68. The *"**<u>Kurobuta business</u>**"* was not further identified, described or defined in the Assignments. It can only have been the *"**<u>business</u>**"* which had (so far as it had) been conducted under and by reference to the name *"**<u>Kurobuta</u>**"* before and after the 05 May 2017 and 30 June 2017 Asset Sale Agreements by the parties to those Agreements.

69. Neither side provided the Registrar with any evidence to establish what KBC and KBM had or had not done with the **KUROBUTA** businesses after they acquired them from KCL and KMA under the Asset Sale Agreements. It was not possible to determine on the basis of the evidence and materials filed by the parties in the course of the Registry proceedings what the factual position was in that regard at the date of the December 2017 Assignments.

70. On 15 October 2018, the Proprietor filed two witness statements accompanied by written submissions in the Registry proceedings. These responded to witness statements and written submissions which the Applicant had filed on 23 July 2018. It was baldly asserted in paragraph 11(d) of the Proprietor's written submissions that *"The purported assignment from KBM Inc Limited (exhibit SD 16 to Mr Demos's statement dated 16 July 2018) is an assignment in gross and is ineffective"*. So far as I can tell from the papers before me, this was the first and only occasion prior to the filing of the Proprietor's Skeleton Argument for the Registry hearing on 20 March 2019 on which anything was said about any objection to the effect that the December 2017 Assignments were "assignments in gross".

71. The objection was subsequently addressed in paragraphs 5(b)(ii) and 48 to 51 of the Proprietor's Skeleton Argument and paragraphs 17 and 18 of the Applicant's Skeleton

Argument for the Registry hearing. The Proprietor maintained that the Assignments had not transferred *"the business itself"* and did not involve *"an assignment of the business as a going concern"* to the Applicant. The Applicant maintained that the Assignments had expressly transferred to it a *"relevant interest in the business to which the goodwill related"* as per paragraph 3-197 of Wadlow (see paragraph 38 above).

72. The Applicant's balance sheet filed at Companies House on 08 January 2019 for the year ended 30 April 2018 (see paragraph 37 above) was produced without prior notice or warning as an attachment to the Proprietor's Skeleton Argument lodged two days in advance of the Registry hearing. The Hearing Officer observed that the document was *"not in evidence"* (paragraph 57) and accepted *"that the Applicant has not had the usual opportunity to respond to the dormant company point, it not having been filed in evidence"* (paragraph 60). There was no challenge to his treatment of the dormant company point in the Proprietor's Grounds of Appeal. I consider that it was open to the Hearing Officer to proceed as he seemingly did on the footing that the Companies House document informally and belatedly produced as an attachment to the Proprietor's Skeleton Argument was not evidence in the case.

73. He decided that the Assignments satisfied the *"relevant interest"* test stated in Wadlow for the reasons he gave in paragraph 61 of his Decision:

> "In [Counsel's] submission the circumstances of the current case not only involve an existing business that is operating at the relevant time, but also reflect widely recognised modern day business practices whereby people set up companies to deal with different aspects of essentially the same business. There appears (on the basis of the nominal consideration underpinning the assignment) to be a company arrangement under which there is still one ultimate source in control of existing related businesses and no deception on the public at large. I therefore accept that the assignment of 11 December 2017 to the Applicant is valid on its face, giving the Applicant standing to bring these cancellation proceedings."

74. The Proprietor submits before me that there was no basis in the evidence and materials on file for that conclusion. I agree. The Hearing Officer rightly recognised that the Assignments were not arm's length transactions. However, he went beyond inference and entered the realm of conjecture in seeking to explain that on the basis he did in paragraph 61. The question whether the Assignments were objectionable for being

"assignments in gross" fell to be determined without assuming either that they did or that they did not have the object or effect he attributed to them.

75. When considering whether the Assignments were in terms sufficient to pass to the Applicant the ***"KUROBUTA trade name"*** together with the goodwill of the ***"Kurobuta business"*** in connection with which it had been used it is, in my view, necessary to keep in mind that a business is by and large an activity. As the majority of the High Court of Australia observed in Commissioner of Taxation v Murry [1998] HCA 42 at [54]: *"A business is not a thing or things. It is a course of conduct …"*. Whether by choice or through force of circumstance, the resources and facilities deployed for the purposes of a business are liable to come and go. Meanwhile, the goodwill built up and acquired for the benefit of the business subsists as an intangible asset with a lifespan of its own. It is owned via the right to control exploitation of the 'attractive force which brings in custom' to the business which has generated it. That right can normally be transferred with the transferee then becoming entitled to manage for itself the task of organising the resources and facilities it needs or wishes to deploy for the purpose of exploiting the goodwill of the business. The law does not appear to me to stand in the way of that being done by the transferee using pre-existing or yet to be procured or any combination of pre-existing and yet to be procured resources and facilities. It would otherwise not be possible to effect a transfer of the subsisting (which I take to include residually subsisting) goodwill of a business which has for any reason lost or run down or been prevented from utilising most or all of its tangible assets. So even if (which was a matter not addressed in the evidence) no physical assets were delivered to the Applicant under the Assignments, that would not, in my view, render them incapable of being Assignments of the goodwill of the ***"Kurobuta business"*** (viewed as an activity) in relation to which the ***"KUROBUTA trade name"*** had previously been used.

76. I do not understand the Proprietor to be suggesting that the Assignments were a sham. It is unclear whether he is nonetheless proposing on the basis of the cited *"statement of the law"* and the *"old case law"* underpinning it that the Tribunal should look behind the Assignments. That approach is not, in my view, envisaged or required by Star Industrial or Scandecor. I see no reason why the Assignments should not, against the background of the relatively recently completed Asset Sale Agreements, be taken to have done what they set out to do on the basis stated in the recitals which recorded: (as

was the case) "(A) The Assignor is the proprietor of the Goodwill that subsist KUROBUTA trade name (as defined below)"; and (as appears to be indisputable) "(B) The Assignor has agreed to assign the Goodwill to the Assignee on the terms set out in this agreement".

77. The Assignors retained no right, title or interest in or to anything covered by the wording of Clause 2 and the definition of ***"Goodwill"*** (see paragraphs 21and 66 to 68 above). In accordance with that wording, the Applicant became their successor in title to ***"the Kurobuta business"*** by transfer to it of their ***"common law rights attaching to … the goodwill, custom and connection of the KUROBUTA trade name in relation to the Kurobuta business and the right to represent itself as carrying on the Kurobuta business"***. The right to control exploitation of the 'attractive force which brings in custom' to ***" the Kurobuta business"*** through use of the ***"KUROBUTA trade name"*** passed from the Assignors to the Applicant. That, in my view, served to complete the common law requirement for assignment with the goodwill of the business in connection with which the unregistered mark **KUROBUTA** had previously been used.

78. It was up to the Applicant to decide what it wished to do next with ***"the Kurobuta business"*** it had acquired. There is no basis in the evidence and materials on file for thinking that there was any actual likelihood of deceptiveness ensuing. I have explained in paragraphs 45 to 47 above why I do not accept that a "deemed" likelihood of deceptiveness ensuing can be used to render the Assignments ineffective in circumstances of the kind that existed here.

79. I am satisfied for the reasons I have given that the December 2017 Assignments were not liable to be regarded as ineffective for being "assignments in gross".

80. I now turn to the Proprietor's request for reversal of the Hearing Officer's Decision to grant a declaration that his registration of the Trade Mark **KUROBUTA** under number 3222206 was invalid under s. 5(4)(a) of the 1994 Act to the extent specified in paragraph 69 of his Decision.

81. He determined that various goods and services in Classes 29, 30, 35, 39 and 43 should be deleted from the registration in order to remove the conflict he had found to exist

between the coverage of Proprietor's registration and the Applicant's "earlier right" to claim protection for use of **KUROBUTA** *"in relation to food and restaurant services"* (paragraphs 66 and 68) by virtue of the law of passing off. It is not necessary for present purposes to set out the details of the deletions.

82. In the Grounds of Appeal it is contended that the Hearing Officer erred by failing to carry out a proper factual analysis of whether there would have been a misrepresentation for the purposes of passing off. At the hearing of the Appeal, the Proprietor relied on the matters referred to in the Skeleton Argument filed on his behalf and, in particular, on the proposition that:

> "This case is unusual in that SH is a celebrity chef. There was extensive evidence to show that the name Kurobuta was associated in the eyes of the public with SH personally as well as the restaurant business: see SH's skeleton before the Hearing Officer at paras 37 (media coverage) and 38 (the Kurobuta website). It follows that the Hearing Officer ought to have considered whether the public would have taken notional fair use by SH of the Mark to amount to a reference to the Kurobuta restaurant business or to SH's business as a celebrity chef. The Hearing Officer did not carry out such an assessment."

83. His case on Appeal proceeds on the premise that by 31 March 2017 **KUROBUTA** had become associated in the public mind with him in his personal capacity as a result of his prominent and well-publicised involvement in the bar and restaurant trading activities of KCL and KMA (and Kurobuta London Ltd incorporated as Company No. 08401442 on 13 February 2013 and dissolved on 14 June 2016). The Hearing Officer recognised that the Proprietor was entitled to claim a good deal of the credit for driving the success of the business with which he was closely associated (paragraph 51). He nevertheless concluded, after a comprehensive examination of the bases on which the Proprietor claimed ownership for himself of the goodwill built up and acquired through use of the **KUROBUTA** name and mark, that the goodwill in question belonged to the corporate entities and not to him individually as he had claimed (paragraphs 37, 47 and 53).

84. There is no appeal against that determination. It is binding upon the Proprietor and it puts him for the purposes of his argument on this part of his Appeal in the position of an outsider to the "earlier right" that the Applicant was entitled to assert against him

under s. 5(4)(a) of the Act. In terms of the law of passing off, he was bound to act in accordance with the principle stated by Plowman J in Pompadour Laboratories Ltd v Fraser [1966] RPC 7 at p. 10: *"As I understand the law it is clearly settled that a defendant who formerly had a connection with the plaintiff's business, but has ceased to do so, although entitled to inform the world that he formerly had that connection is not entitled to state that he still has such a connection if that that in fact is not the case."*

85. The Proprietor would not be liable in passing off for 'telling the truth truthfully' along those lines. But what he could not do was the very thing envisaged by his trade mark registration: carry on business in the area of food and restaurant services under and by reference to the name and mark **KUROBUTA** as if he was the proprietor of it. It was highly likely that if he did so his activities would give rise to the mistaken belief that the business he was carrying on was (or was being carried on in collaboration or association with) the business protected by the 'earlier right'. By maintaining that *"the name Kurobuta was associated in the eyes of the public with [him] personally as well as the restaurant business"* he seems to me to be supporting rather than displacing that view of his position under the trade mark registration he seeks to retain for himself.

86. I do not accept that the Hearing Officer failed to carry out a proper factual analysis in relation to the question of misrepresentation for the purposes of the law of passing off. In paragraphs 83 to 85 above, I have identified what I consider to be the correct approach to the Proprietor's position under the registration in issue. The Hearing Officer proceeded consistently with that approach: *"Having determined that the ownership of goodwill is with the Applicant, it would be circuitous and would circumvent the ownership of goodwill and its onward sale if [the Proprietor] could defeat the requirement for misrepresentation by virtue of his reputation and degree of connection with the sign"* (paragraph 64). He had no doubt that the requirements for misrepresentation and damage to goodwill were satisfied with respect to the goods and services he proceeded to delete from the trade mark registration (paragraphs 65 and 68). I am satisfied that he was entitled to make the determination he did for the reasons he gave.

Conclusion

87. The Appeal is dismissed.

88. I approach the question of costs in the manner indicated in paragraphs [12] to [14] of my Decision in AMARO GAYO Trade Mark BL O/257/18 (25 April 2018). Having regard to what I consider to be the amount of effort and expenditure that is likely to have been reasonably and productively incurred by the Applicant in defending the Hearing Officer's Decision, I think it would be reasonable to order the Proprietor to pay £3,850. to the Applicant as a contribution to its costs of the proceedings on appeal.

89. That sum (which is additional to the sum of £1,200. awarded to the Applicant in respect of its costs of the proceedings in the Registry) is to be paid within 21 days of the date of this Decision.

Geoffrey Hobbs QC

25 November 2020

Mr Gwilym Harbottle instructed by Brandsmiths appeared for the Proprietor.

Ms Nicole Bollard instructed by Lawdit Solicitors appeared for the Applicant.