

O-347-07

**TRADE MARKS ACT 1994**

**IN THE MATTER OF APPLICATION NO. 2391204  
IN THE NAME OF FOCAL POINT FIRES PLC  
FOR REGISTRATION OF THE TRADE MARK SERENITY IN CLASS 11**

**AND**

**IN THE MATTER OF OPPOSITION THERETO  
UNDER NO. 93793 IN THE NAME OF VALOR LIMITED**

**Trade Marks Act 1994**

**IN THE MATTER OF trade mark application No. 2391204  
in the name of Focal Point Fires plc  
for registration of the trade mark SERENITY in Class 11**

**And**

**IN THE MATTER OF opposition thereto  
under No. 93793 in the name of Valor Limited**

**BACKGROUND**

1. On 6 May 2005, Focal Point Fires plc made an application to register the trade mark SERENITY in Class 11 in respect of the following goods:

Heating apparatus; gas fires; electric fires; fires simulating fuel effect; solid fuel fires; boilers; stoves for heating; fire surrounds; fire fronts; parts and fittings for all the aforesaid goods.

2. On 6 October 2005, Valor Limited filed notice of opposition to the application, the grounds of opposition being in summary:

**Under Section 3(6)** because the application was made in bad faith. The allegation is that the applicants have deliberately set out to appropriate the opponents' trade mark SERENITY which had been in use prior to the application being made. They say that the applicants and the opponents are direct competitors, the application amounting to dishonest commercial practices.

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

3. The applicants filed a counterstatement in which they deny the grounds on which the opposition is based. Both sides ask that an award of costs be made in their favour.

4. Both sides filed evidence in these proceedings, which insofar as it is relevant I have summarised below. The matter came to be heard on 24 May 2007, when the applicants were represented by Mr. Mark Vanhegan of Counsel, instructed by Urquhart, Dykes & Lord LLP. The opponents were represented by Mrs Jennifer Maddox of W P Thompson, their trade mark attorneys.

## **Opponent's evidence**

5. This consists of five Witness Statements. The first is dated 13 July 2006, and comes from Sarah Bond, Company Secretary of Valor Limited, a wholly owned UK subsidiary in the Baxi Group of companies, whose parent company is Baxi Holdings Limited. Ms Bond says that she has held this post for three years.

6. Ms Bond refers to Items 1 to 3 forming Exhibit Valor 1, which consists of details of registrations for WONDERFIRE and VALOR owned by the opponents, and an application to register SERENITY in their name. She says that her company has given permission for Baxi Heating UK Limited to use these trade marks, and that this has been the case since the company was acquired by the Baxi Group in 2001. Baxi Heating UK Limited is another wholly owned subsidiary of Baxi Holdings Limited, and is responsible for the manufacture and sale of the WONDERFIRE range of fires and fireplace suites including the SERENITY, which was introduced into the market place, in the UK, in June 2004. Ms Bond says that all goodwill resulting from the use of these trade marks, including SERENITY accrues to the benefit of her company.

7. The next Witness Statement is dated 13 July 2006, and comes from Jennifer Margaret Maddox, a Partner with W.P. Thompson & Co. Ms Maddox refers to Exhibit JMM1 which consists of sample invoices that she says have been provided by Baxi. These are said to have been sent out to customers between 28 August 2004 and 9 May 2005. The first invoice is dated 28 August 2004, and relates to the sale of 60 items described as SERENITY by Baxi Fires to F & P Wholesale. Later invoices include the sale of SERENITY to Bywater LP Gas, Fireplace Warehouse (Stechford) Ltd, Fireplace Centre, and the Gas & Fireplace Centre. Although the invoices do not say what the SERENITY goods are, from the names of these customers it seems reasonable to infer that they are fires and/or fire surrounds.

8. The next Witness Statement is dated 11 July 2006, and comes from Darren J Beaumont, Managing Director of Fireworld, a retailer of fires and fireplaces. Mr Beaumont says that he has held a Wonderfire account for quite some time, and that he has been aware of the SERENITY fire since July 2004 when his company began selling them. He says that the Wonderfire sales force has made regular visits to his store to help promote the SERENITY fire.

9. The next Witness Statement is dated 13 July 2006, and comes from Darren Mark McMahon, Head of Marketing for Baxi Heating UK Limited, a position he has held for one year, having previously been in the marketing department of Valor Limited from 1998. He says that he transferred to his present post following the acquisition of Valor by the Baxi group.

10. Mr McMahon says that amongst other things he is responsible for the marketing of the Wonderfire range of gas and electric fires manufactured and sold by his company. He says that one of the gas/electric fires in this range is the SERENITY model, Exhibit DM1 consists of a brochure and loose pages from another brochure that show, amongst other things, a gas fire sold under the name SERENITY. The brochure is not dated but Mr McMahon says that it was issued in May 2005. He does not put a date on the other brochure referred to. Mr McMahon says that these product details were distributed to independent retailers of gas

and electric fires.

11. Mr McMahon says that his company is a permitted user of the WONDERFIRE, VALOR and SERENITY trade marks owned by Valor Limited, who, he says asked him to make this Statement in support of the opposition. He says that in common with the trade, the SERENITY name does not appear on the fireplace suite itself, but does appear on the outer packaging and point-of-sale materials that his company supplies to retailers. Exhibit DM2 consists of product information cards for the SERENITY fire, Mr McMahon saying that these would be displayed adjacent to the SERENITY model.

12. Mr McMahon says that his company designed the SERENITY gas fire in early 2004, adopting the name in May 2004 in anticipation of the Hearth and Home Show in June 2004. Mr McMahon says that this is a show for the trade, consisting mostly of buyers from independent retailers. Exhibit DM3 includes a computer generated photograph of the Wonderfire stand at the show that he says features the SERENITY fire on the left. It is not possible to see the name, but the design of the fire looks the same to those shown in the SERENITY promotional materials exhibited. Mr McMahon says that there were 87 exhibitors at the show, a list of these being included with Exhibit DM3; the applicants are not listed. He says that the show attracted some 3,300 visitors. He goes on to say that it is customary for exhibitors to visit other stands and that it is highly likely that someone from the applicant's company would have been at the show and visited the Wonderfire stand. Exhibit DM4 consists of a pre-show publicity leaflet dated June 2004 that announces, *inter alia*, Baxi Fires Division launching the Wonderfire Serenity landscape fire. It also refers to SERENITY on its own. This leaflet would have been distributed to the trade.

13. Mr McMahon says that by July 2004 the SERENITY fireplace suite was selling through a number of independent retailers. He says that the launch at the show was followed by a significant amount of advertising during August to October 2004. Exhibit DM5 consists of the September 2004 edition of a magazine entitled "Fires & Fireplaces" the SERENITY fire being shown on the cover, although not described by name. Page 3 states that the cover photograph includes the Wonderfire SERENITY, although this information is obscured by a card. Mr McMahon says that the publication is one of the main trade journals, having a circulation in the UK of about 250,000. He goes on to list the publications in which SERENITY products were advertised during October and November 2004, and January to December 2005. The publications listed are mostly regional rather than national, but cover a significant part of the UK. Exhibits DM6, DM7 and DM8 consist of copies of advertisements from some of the publications listed. These are either endorsed as, or can be seen to date from August, October and November 2004, and January and March 2005. Where SERENITY is mentioned it is usually in conjunction with Wonderfire but is also used on its own.

14. Mr McMahon says that advertisements for SERENITY began appearing in the product lists of independent vendors from August 2004. Exhibit DM9 consists of the "2005 ISSUE 1 of Fires and cookers" "NET TRADE PRICE LIST" from a company called "F & P Wholesale". Page 15 lists the SERENITY under the general brand name Wonderfire. Mr McMahon says that this company is an independent wholesaler selling to independent retailers through their offices in various parts of the country. Mr McMahon states that by September 2004 the SERENITY product could be seen on the Valor website, an example of

the information that would have been available is shown as Exhibit DM10. This consists of a listing of product catalogues that show the SERENITY file to have been created on 23 September 2004, and last modified on 8 March 2005. The contents of the file are not shown.

15. By the time that the application in suit was made, Mr McMahon says that his company had sold 1066 SERENITY fireplace suites at a value of £271,000 (trade) £390,000 (retail), the products retailing at £549 for the gas version, and £399 for the electric. From May 2005 to January 2006, 943 SERENITY fireplace suites are said to have been sold, which in trade and retail terms amount to £238,000 and £343,000, respectively. Advertising expenditure in the period June 2004 to May 2005 are stated to have been in the order of £10,000 with a further £50,000 being spent on the Hearth & Home show in June 2004. Mr McMahon says that his company has a sales force of 7 whom make regular visits to independent vendors of gas and electric fires, and who started promoting the SERENITY fire from May 2004 onwards, but as he has given no further details it is not possible to gauge the impact of this.

16. Exhibit DM11 consists of a list, headed INVOICES SERENITY GAS. The earliest listed dates from 28 August 2004, being for the supply of 60 units at a cost of £15,600. These, and the customer details correspond with the invoice shown as part of Exhibit JMM1. Mr McMahon gives details of the location of customers, but this information cannot be gleaned from the invoice list. He goes on to say that being relatively modern and a new design, the SERENITY fire stands out from other products, with other manufacturers, including the applicants, following suit in producing landscape fires. Mr McMahon refers to the two companies being competitors with a “considerable history of conflict and dispute”, regularly competing for the business of major fire retailers. Mr McMahon concludes his Statement by giving his views on the distinctiveness of the various marks used by his company, how he considers the consumer would perceive their use, and the substance of the allegation of passing off by the opponents.

17. The final Witness Statement comes from Peter Bywater, a Partner in Bywater Gas, for 30 years an independent retailer of gas related products with a high street store. Mr Bywater confirms that he has been a Wonderfire dealer for over 20 years, his company having stocked and actively been selling the SERENITY fire since July 2004 when it was first launched. Mr Bywater explains the nature of the relationship between his company and the opponents and their sales force.

### **Applicant's evidence**

18. This consists of two Witness Statements. The first is dated 15 November 2006 and comes from Carl Richards, Chief Executive of Focal Point Fires plc, a post he has held since January 2001, having previously been managing Director since 1995. He says that he has been with the company for nineteen and a half years.

19. Mr Richards says that his company has been concerned with the manufacture of gas and electric fires and related products since 1983. He refers to the filing of the application in suit, details of which he shows as Exhibit CR1. Mr Richards says that the development of the fire and choice of the name SERENITY commenced in Autumn 2004 in preparation for the submission of a range of nine new fires to B&Q for possible inclusion in the B&Q 2005/2006 product range. The details of the proposed fires and their names are said to have been

submitted to B&Q by an e-mail on 26 November 2004. Mr Richards says that on 20 December 2004, B&Q sent a shortlist of the products that had been provisionally accepted. He later exhibits the e-mail as CR5, drawing attention to the fact that it was also sent to MDcM (Darren McMahon?) at Valor, and that includes a mention of the FOCAL POINT SERENITY product. Mr Richards says that this was the first time that B&Q had circulated the list to all suppliers, and after checking to see that his company's products had been accepted, he went on to look at the others. He states that despite this notification, it was not until seven months later that Mr McMahon contacted him to raise his concerns over his company's use of SERENITY.

20. Mr Richards says that having been provisionally accepted by B&Q his company took the necessary steps to bring the fire to production, such as design of the packaging, arranging the manufacture and obtaining CE certification. He says that as part of the process, in November 2004 he instructed his trade mark advisers to conduct prior rights searches. These were negative, and in August 2005 he instructed them to file the application that is now the subject of these proceedings.

21. Mr Richards says that following its launch in August 2005, the B&Q brochure, including his company's SERENITY fire was promoted in the 300 B&Q stores, and was available on the B&Q website as a special order home delivery item retailing at £799. He says that the main sales season for retailing gas fires is between August and February, and that in this period between 2005 and 2006 his company recorded sales of 338 units. Exhibit CR2 consists of pages from the B&Q 2005/6 catalogue that shows the SERENITY gas fire, which is similar in look to the opponents' "landscape" fire which is also shown but under the name Landscape Gas Fire.

22. Mr Richards denies having any knowledge of the opponents' use of SERENITY, or anyone from his company having come into contact with this use prior to the filing of the application. He refers to Exhibit CR3, which consists of a further copy of the September 2004 edition of Fires & Fireplaces exhibited by Mr McMahon, confirming that he did receive a copy but did not see the reference to SERENITY because it is obscured. He says that having reviewed all further issues of this magazine he has noticed a mention of the opponent's SERENITY fire in the November 2004 edition, but can find no other mention. Mr Richards says that contrary to Mr McMahon's claims, as can be seen from the letter from the Managing Director of the publisher, the circulation figures for the title is around 7,000 per issue, with eight issues appearing in 2004.

23. The second Witness Statement is dated 14 November 2006, and comes from Paul Ravnbo-West, Creative Design Manager at Focal Point Fires plc, a position he has occupied for over two years.

24. Mr Ravnbo-West gives his recollections of the SERENITY fire project, from the design of the fire to the selection of the name through a brainstorming session in November 2004 where an extensive list of "blue-sky" names was generated to reflect each design. Exhibit PRW1 consists of the file notes that Mr Ravnbo-West says he made at the session. He says that SERENITY was one of about 50 names that he came up with to reflect the minimalist design. Mr Ravnbo-West recounts doing prior rights checks with the on-line trade marks register, going on to refer to the fact that the list of names shown as Exhibit PRW1, show

some have been marked as not being available. Mr Ravnbo-West confirms that he had no prior knowledge of the opponents' use of SERENITY.

### **Opponent's evidence in reply**

25. This consists of a Witness Statement dated 15 February 2007 from Darren Mark McMahon. Not unusually for reply evidence, this Statement consists of submissions on the evidence filed by the applicants, and answers to the comments made by the applicants in their evidence. Being submissions rather than evidence of fact, it is not necessary or appropriate that I summarise it here. I will, of course take the contents of the Statement fully into account in my determination of this case. Mr McMahon clarifies that his reference to the circulation of the Fires & Fireplace magazine is a typographical error and should probably read 2,500 and not 250,000.

26. That concludes my summary of the evidence insofar as it is relevant to these proceedings.

### **DECISION**

27. Turning first to consider the ground under Section 5(4)(a). That section reads as follows:

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

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

(b) .....

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an “earlier right” in relation to the trade mark”.

28. To the above I add the comments of Pumfrey J in *South Cone Incorporated v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)*, in which he said:

“27. There is one major problem in assessing a passing off claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the Registrar is entitled to be presented with evidence which at least raises a prima facie case that the opponent's reputation extends to the goods comprised in the applicant's specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under Section 11 of the 1938 Act (See *Smith Hayden (OVAX) (1946) 63 RPC 97* as qualified by *BALI [1969] RPC 472*).

Thus the evidence will include evidence from the trade as to reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on.

28. Evidence of reputation comes primarily from the trade and the public, and will be supported by evidence of the extent of use. To be useful, the evidence must be directed at the relevant date. Once raised the applicant must rebut the prima facie case. Obviously he does not need to show that passing off will not occur, but he must produce sufficient cogent evidence to satisfy the hearing officer that it is not shown on the balance of possibilities that passing off will occur.”

29. The first question is whether the opponents have any goodwill in SERENITY. The trade mark is owned by Valor Ltd, the opponents, but used by Baxi Heating UK Limited with their consent. Baxi Heating UK Ltd is responsible for the manufacture and sale of the WONDERFIRE range of fires and fireplace suites including the SERENITY. Both the opponents and Baxi Heating UK Limited are wholly owned subsidiaries of Baxi Holdings Limited.

30. Ms Bond says that all goodwill resulting from the use of the SERENITY trade mark ensures to the benefit of the opponents, but that is not necessarily the case. The opponents Valor are not a parent company of Baxi Heating UK Ltd, these are companies that are part of the same corporate group but with no apparent control over one another. Even if Valor were the parent company and Baxi Heating UK Ltd were a wholly owned subsidiary, as can be seen from the following paragraph from *Scandecor Development v Scandecor Marketing* [1999] F.S.R. 26 CA, even in this relationship the goodwill resulting from use by the subsidiary does not, as a matter of course, accrue to the parent:

“There is no rule of law or presumption of fact that the goodwill generated by the trading activities of a wholly-owned subsidiary company belongs to the parent company or is the subject of an implied, if not an express, licence in favour of the subsidiary. It may happen, as observed by Oliver L.J. in *Habib Bank Ltd v. Habib Bank AG Zurich* [1982] R.P.C. 1 at pages 20 and 30, that the goodwill in a mark is "shared" in the sense that an internationally known business based abroad, which establishes a branch in this country as part of that international organisation, does not cease to be entitled to its existing goodwill because there is also a goodwill in the local branch. In that situation it would be correct to assert that the international organisation retains its existing "international" goodwill and that the newly created branch or subsidiary company has a local goodwill in the business carried on by it in this country--at the very least for the purpose of protecting it against injury by third parties.”

31. In *Medgen Inc. v Passion for Life Products Ltd* [2001] F.S.R 30, goodwill is defined as the benefit and advantage of a name or get-up, and is the attractive force that brings in business. A passing off action is a remedy for the invasion of a right of property in the business or goodwill likely to be injured by any actionable misrepresentation. Goodwill does not exist separately from the business to which it is attached.

32. *Wadlow* (The Law of Passing Off, 2<sup>nd</sup> Edition, paragraphs 3.107 and 3.108 (footnotes removed) states:

“There are two distinct, and not necessarily consistent, standards in this passage. One is to ask who is in fact most responsible for the character or quality of the goods; the

other is to ask who is perceived by the public as being responsible. The latter is (perhaps surprisingly) the more important, but it does not provide a complete answer to the problem because in many cases the public is not concerned with identifying or distinguishing between the various parties who may be associated with the goods. If so, actual control provides a less conclusive test, but one which does yield a definite answer.

To expand, the following questions are relevant as to who owns the goodwill in respect of a particular line of goods, or, *mutatis mutandis*, a business for the provision of services:

- (1) Are the goods bought on the strength of the reputation of an identifiable trader?
- (2) Who does the public perceive as responsible for the character or quality of the goods? Who would be blamed if they were unsatisfactory?
- (3) Who is most responsible in fact for the character or quality of the goods?
- (4) What circumstances support or contradict the claim of any particular trader to be the owner of the goodwill? For example, goodwill is more likely to belong to the manufacturer if the goods are distributed through more than one dealer, either at once or in succession. If more than one manufacturer supplies goods to a dealer and they are indistinguishable, the dealer is more likely to own the goodwill.

If none of these gives a result, the goodwill may generally be assumed to belong to the actual manufacturer of the goods.”

33. From *Wadlow* it appears that the factual perception in the marketplace will determine the matter. Valor Ltd and Baxi Heating UK Ltd are companies from the same commercial group, referred to as the Baxi group. Baxi Heating UK Ltd appear to be wholly and singularly involved in the manufacture, promotion and sale of the SERENITY fires, such that, if the criteria from *Wadlows* were to be applied, I would consider that the goodwill from this trade must accrue to them. However, Ms Bond on behalf of Valor says that Baxi Heating UK Limited use the mark with the permission of her company, a fact confirmed by Mr McMahon of Baxi Heating UK Ltd who says that his company is a permitted user. So the use by Baxi Heating UK Limited is as a form of “licensee”, expressed or implied, it does not matter. In such circumstances the licensee acquires no interest in the licensed name or mark. There is control over the licensee, albeit by the parent company, who no doubt would have to cease using the mark in the event of the arrangement being terminated, or Baxi Heating ceasing to be part of the Baxi group. In these circumstances it seems reasonable to infer that Valor own any goodwill resulting from the use of SERENITY.

34. The opponents say that they adopted the SERENITY name in May 2004 in preparation for the launch at the Hearth and Home show in June 2004. Mr McMahon says that this caters for the trade, mostly buyers from independent retailers. Exhibit DM3 consists of a computer generated photograph of the Wonderfire stand at the show that is said to feature the

SERENITY fire. It is not possible to see the name, but the design looks the same, or at least very similar to those shown in the SERENITY promotional materials exhibited. Mr McMahon says that there were 87 exhibitors at the show, with some 3,300 visitors attending. I do not know what proportion of the trade these figures represent, and there is no evidence from either side to assist me. The figure does, however appear to represent a not insignificant number.

35. The fire was introduced in June 2004, but actual sales started in July 2004 through a number of independent retailers. This is confirmed by Peter Bywater, a Partner in Bywater Gas, and for 30 years an independent retailer of gas related products with a high street store. Mr Bywater confirms that he has been a Wonderfire dealer for over 20 years, and that his company has stocked and has actively been selling the SERENITY fire since July 2004 when it was first launched.

36. Evidence of actual sales can be found in two Exhibits. Exhibit DM11 consists of a list headed "INVOICES SERENITY GAS". The earliest entry is dated 28 August 2004 and relates to the sale of 60 items. For this entry (as is the case with most) there are no customer details other than a coding. However, if considered in conjunction with Exhibit JMM1, which consists of a collection of invoices, it is possible to complete the picture. The invoice corresponding to the earliest entry relates to goods described as "SERENITY by Baxi Fires" to F & P Wholesale. Later invoices relate to the sale of SERENITY to Bywater LP Gas, Fireplace Warehouse (Stechford) Ltd, Fireplace Centre, and the Gas & Fireplace Centre. Although they do not actually say what the SERENITY goods are, from the names of these customers it seems reasonable to infer that they are fires and/or fire surrounds. The customer details on the listing can be seen to correspond with the invoices. Mr McMahon gives the location of these customers, information that cannot be gleaned from the invoice list.

37. Mr McMahon states that the launch of the SERENITY product at the show was followed by a significant amount of advertising during August to October 2004. Exhibit DM5 consists of the September 2004 edition of a magazine entitled "Fires & Fireplaces", the SERENITY fire being shown on the cover. Although it is not described by name, on the third page it states that the cover photograph includes the Wonderfire SERENITY. This is, however, obscured by a card by which information can be obtained on the products listed, and could be overlooked. Mr McMahon says that the publication is one of the main trade journals, having a circulation in the UK of about 250,000. Following a challenge by Mr Richards he later states this is a typographical error and should probably read 2,500. However, in a letter from the publisher exhibited by Mr Richards, it can be seen that the circulation figures for the title is around 7,000 per issue, with eight issues appearing in 2004.

38. Further promotion took place during October and November 2004, and January to December 2005. The publications were mostly regional rather than national, but cover a significant part of the UK. Where SERENITY is mentioned it is usually in conjunction with Wonderfire but is also used on its own. Exhibit DM9 consists of a copy of the “2005 ISSUE 1” of fires and cookers, a “NET TRADE PRICE LIST” from a company called F & P Wholesale, who Mr McMahon describes as being independent wholesalers selling to independent retailers via their offices throughout the country. Page 15 contains details of the SERENITY under the general brand name Wonderfire. Mr McMahon further states that by September 2004 the SERENITY product could be seen on the Valor website. Exhibit DMM10 is stated to be an example of the information would have been available, consisting of a listing of product catalogues, one of which shows a file entitled SERENITY. The file details show this to have been created on 23 September 2004, and last modified on 8 March 2005. As the contents of the file are not shown it is not possible to gather much from this other than that a product of that name was likely to have existed and been in the pipeline in September 2004.

39. Mr McMahon says that by the time that the application in suit was made his company had sold 1066 SERENITY fireplace suites at a value of £271,000 (trade) £390,000 (retail), the products retailing at £549 for the gas version, and £399 for the electric. From May 2005 to January 2006, 943 SERENITY fireplace suites are said to have been sold, which in trade and retail terms amount to £238,000 and £343,000, respectively. Without actual details relating to the market it is difficult to put these figures into context, the most that can really be said is that they appear significant enough to have made an impact upon the trade and the ultimate end consumer.

40. Advertising expenditure in the period June 2004 to May 2005 is stated to have been in the order of £10,000 with a further £50,000 being spent on the Hearth & Home show. Mr McMahon says that since 2004 his company’s sales force of 7 has made regular visits to independent vendors of gas and electric fires, but does not give any details by which to gauge the extent of this and its potential results. Advertising that does not generate any custom is no substitute for goodwill. As Walton J said in *The Athlete’s Foot Marketing Associates Inc. v. Cobra Sports Limited and Another* [1980] RPC 343,

“I think this passage is extremely important in considering the present case, for it makes the distinction between "reputation"--gained possibly as the result of advertising, possibly merely by word of mouth--and "goodwill" which of course can hardly exist without the goods, services or provider of these acquiring a reputation, but which requires something more. Nor, of course, is that passage consistent with any suggestion that the plaintiffs' desire possibly to commence business in this country in the future would have made any difference to the outcome.”

41. The launch at the Hearth & Home show was intended to, and probably did generate custom, and I am content to accept that the opponent’s goodwill in SERENITY dates from June 2004, and exists in respect of electric fires and gas fires.

42. In his Statement, Carl Richards, the Chief Executive of Focal Point Fires plc, says that the choice of SERENITY for a new fire commenced in Autumn 2004 in preparation for the possible inclusion in the B&Q 2005/2006 product range. Mr Ravnbo-West confirms the

selection of the name occurred in November 2004. Details of the proposed fires and their names were submitted to B&Q by e-mail on 26 November 2004. On 20 December 2004 B&Q sent a shortlist that *inter alia*, stated that the applicants' SERENITY fire had been provisionally accepted. Mr Richards says that having received this confirmation his company commenced with the design of the packaging, arranging the manufacture and the obtaining CE certification. The product was launched in the B&Q brochure in August 2005 (see Exhibit CR2), the date being the start of the main season for the retailing of fires. Mr Richards states that the B&Q brochure featuring his company's SERENITY fire was promoted in B&Qs 300 stores, and was available on the B&Q website. In the period August 2005 to February 2006 the applicants claim recorded sales of 338 units.

43. It seems to me that by the relevant date for these proceedings, be that when the name SERENITY was put to B&Q, the fire of that name went on sale to the public in the B&Q brochure, or the date on which the application in suit was made, the opponents already had goodwill in the SERENITY name. Put quite simply, the opponents were the first to use SERENITY in a way that gathered goodwill. In the *Al Bassam* trade mark case [1995] RPC 511, Morritt L.J. looked at the question of proprietorship of an unregistered trade mark in the following terms:

"Accordingly it is necessary to start with the common law principle applicable to the questions of the ownership of unregistered trade marks. These are not in doubt and may be shortly stated. First the owner of a mark which had been used in conjunction with goods was he who first used it. Thus in *Nicholson & Sons Ltd's* application (1931) 48 R.P.C 227 at page 253 Lawrence L.J. said:

"The cases to which I have referred (and there are others of the like effect) show that it was firmly established at the time when the Act of 1875 was passed that a trader acquired a right of property in a distinctive mark merely by using it upon or in connection with his goods irrespective of the length of such user and of the extent of his trade and such right of property would be protected by an injunction restraining any other person from using the mark."

44. By the earliest of the possible "relevant" dates, the opponents would not have been using the mark for more than a matter of months, but as can be seen, the length of use is not the question. I therefore believe that with the respective names being identical, and used in identical fields of activity, that use by the applicants would constitute a misrepresentation that will result in damage to this goodwill, and would constitute an act of passing off. The opposition under Section 5(4)(a) succeeds.

45. My decision under Section 5(4)(a) effectively decides the matter but for completeness I will go on to consider the ground under Section 3(6). That section reads as follows:

"3(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith."

46. In *Gromax Plasticulture Ltd v. Don & Low Nonwovens Ltd* [1999] RPC 367, Lindsay J. considered the meaning of "bad faith" in Section 3(6) of the Act and stated (at page 379):

“I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes 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. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context; how far a dealing must so fall-short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances.”

47. In *Harrison v. Teton Valley Trading Co* [2005] FSR 10, the Court of Appeal confirmed that bad faith is to be judged according to the combined test set out by the House of Lords in *Twinsectra v Yardley* [2002] 2 AC 164. Paragraphs 25 and 26 of the Court of Appeal decision are of particular assistance and read as follows:

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

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

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

48. Thus, in considering the actions of the applicants, the test is a combination of the subjective and objective. Furthermore, it is clear that bad faith in addition to dishonesty, may include business dealings which fall short of the standards of acceptable commercial behaviour i.e. unacceptable or reckless behaviour in a particular business context and on a particular set of facts.

49. I am reminded of the comments of Nicholls LJ in the Privy Council judgment *Royal Brunei Airlines Sdn Bhd v. Tan* [1995] 2 AC 378, when he described dishonesty as “...to be equated with conscious impropriety”. This was in the context of accessory liability in the misapplication of trust assets to the detriment of a beneficiary. However, I think the same general principles would apply in trade mark law in the context of the current proceedings. He added:

“In most situations there is little difficulty in identifying how an honest person would behave. Honest people do not intentionally deceive others to their detriment. Honest

people do not knowingly take others' property .... The individual is expected to attain the standard which would be observed by an honest person in those circumstances. It is impossible to be more specific. Knox J captured the flavour of this, in a case with a commercial setting, when he referred to a person who is "guilty of commercially unacceptable conduct in the particular context involved": see *Cowan de Groot Properties Ltd v. Eagle Trust Plc* [1992] 4 All ER 700 at 761. Acting in reckless disregard of others' rights or possible rights can be a tell-tale sign of dishonesty. An honest person would have regard to the circumstances known to him, including the nature and importance of the proposed transaction, the nature and importance of his role, the ordinary course of business, the degree of doubt .... Ultimately, in most cases, an honest person should have little difficulty in knowing whether a proposed transaction, or his participation in it, would offend the normally accepted standards of honest conduct."

50. In the Privy Council judgment in *Barlow Clowes International Ltd v. Eurotrust International Ltd* [2005] UKPC 37, their Lordships took the opportunity to clarify the speculation that *Twinsectra* had changed the law. The judgment confirmed the House of Lords' test for dishonesty that had been applied in *Twinsectra*, i.e. the combined test, and clarified their Lordships' statement of that test by making it clear that an enquiry into a defendant's views as regards normal standards of honesty is not part of the test. In the judgment Aldous L.J., quoted Lord Hutton's statement at paragraph 36 of *Twinsectra* and continued:

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

51. I have already recounted the events leading up to the applicants adopting the SERENITY name in Autumn/November 2004. Mr Richards says that the shortlist of the products that had been provisionally accepted by B&Q was sent out by e-mail on 20 December 2004, a copy of which he shows as Exhibit CR5. Mr Richards says that for the first time the B&Q list had been circulated to all suppliers who had products accepted. He draws attention to the fact that it mentions the FOCAL POINT SERENITY fire, and that the e-mail was also sent to MDcM (Darren McMahon?) at Valor who had also submitted products for acceptance. He states that despite this notification, it was not until seven months later that Mr McMahon contacted him to raise his concerns over his company's use of SERENITY.

52. Mr Richards says that having been provisionally accepted by B&Q his company made arrangement to put the fire into production, part of which included instructing his trade mark advisers to conduct prior rights searches. As these did not reveal any other use of SERENITY he instructed them to file the application that is now the subject of these proceedings. Mr Richards confirms that he did not have any knowledge of the opponent's use of SERENITY, or that anyone from his company had come into contact with this use prior to the filing of the application. He admits that he read the September 2004 edition of *Fires & Fireplaces* but did not see the reference to SERENITY because it is obscured.

Having seen the magazine myself I do not find this implausible.

53. Paul Ravnbo-West, the Creative Design Manager at Focal Point Fires plc says that he selected the SERENITY name through a brainstorming session in November 2004, which would correspond with the date of 26 November 2004 for the B&Q submission given by Mr Richards. Mr Ravnbo-West recounts having completed a prior rights check with an on-line trade marks register. Exhibit PRW1 is shown as a list of the names under consideration, Mr Ravnbo-West drawing attention to those that have been marked as not being available. Mr Ravnbo-West confirms that he had no prior knowledge of the opponent's use of SERENITY. Again, on these facts the applicants appear to have acted in a responsible manner.

54. This leaves the question of whether the applicants could reasonably have been expected to know, or to been able to find out about the opponent's use. The first event where this could have happened is the Hearth and Home show in June 2004. Mr Richards says that his company did not exhibit, a fact confirmed by the list shown as Exhibit DM3, and that as far as he is aware, no one from his company attended the show. Taken at face value there is no reason to conclude that the applicants would have known about the opponent's use of SERENITY from the show.

55. This brings me to the September 2004 edition of Fires & Fireplaces exhibited by Mr McMahon and Mr Richards. Mr Richards admits that he did receive a copy but did not see the reference to SERENITY because it is obscured. Whilst the fire on the cover cannot have escaped Mr Richard's attention, the name is, as he states, obscured by a card and could have been missed. He says that having reviewed all further issues of this magazine he has noticed a mention of the opponents' SERENITY fire in the November 2004 edition, but could find no other mention. I do not find Mr Richard's explanation for not having seen the SERENITY name in the September 2004 edition implausible. Whilst he does not specifically deny having seen the use in the November edition, he does generally deny having been aware of the name prior to making the application, and that is sufficient.

56. Mr McMahon contends that the applicants must have known about his company's use from the visits of sales personnel to retailers, in support citing that the parties have some overlap in their customer base. Mr Richards denies having received any reports of the opponent's SERENITY fire being seen by his company's sales force, stating that he is sure that such information would have been passed to him.

57. Mr McMahon refers to the design of the SERENITY being relatively modern and new, standing out from other products, the inference seeming to be that other manufacturers would have noticed its arrival on the market. From the brochures the opponent's SERENITY fire does seem to be a real departure from those that had previously been available, a fact not likely to have escaped the attention of the trade. Even so, I return again to the fact that Mr Richards denies having been aware of the opponent's SERENITY fire prior to filing the application.

58. In the appeal in the *Smiley* logo trade mark case (BL No 0 /313/01) Mr Geoffrey Hobbs QC sitting as the Appointed Person considered the decision in relation to the ground advanced under Section 3(6), and cited with approval the following statement by the Hearing Officer:

“In my view the onus in such cases rests firmly with the opponents. If they are claiming that the trade mark is theirs and not the applicant’s they must establish that their mark was well known, in the United Kingdom, to the point that the applicant must have known it belonged to them, or would have known through some other circumstances, for example, a trade connection...”

59. It is indeed a coincidence that two rival companies should independently adopt the same name for the same goods within a matter of months of each other, but coincidence, of itself, is not a basis for finding bad faith by the latecomer. SERENITY is not an invention of either party; it is an ordinary English word that seems apt to describe the goods in an allusory sense. The applicant’s explanation of how they came to choose SERENITY as a trade mark is not so implausible so as to enable me to conclude that it cannot be an honest statement.

60. By the time that the applicants came to adopt the name the opponents had only been using it for a matter of months. It may well be that the use was so confined that it did go unnoticed by the applicants. The evidence lacks the detail required to determine whether there was a real likelihood the applicants would have come into contact with the opponent’s use. Apart from setting out a collection of circumstances that suggests that, on the balance of probabilities, Mr Richards would be likely to have known of their use, the opponents have not challenged the veracity of his statement. In this respect I am mindful of the comments of Mr Richard Arnold QC, sitting as the Appointed Person in *Extreme Trade Mark* (BL O/161/07).

61. In my view the evidence does not support the allegation of bad faith and the objection under Section 3(6) is dismissed.

62. The opposition having been successful, the opponents are entitled to a contribution towards their costs. I therefore order the applicants to pay the opponents the sum of £3,250 towards their costs. This sum to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

**Dated this 23<sup>rd</sup> day of November 2007**

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