

O-017-04

TRADE MARKS ACT 1994

IN THE MATTER OF TRADE MARK APPLICATION NUMBER 2161562B

IN THE NAME OF CONTINENTAL SHELF 128 LIMITED

AND IN THE MATTER OF AN OPPOSITION THERETO BY
ELIZABETH FLORENCE EMANUEL UNDER NUMBER 49342

AND

IN THE MATTER OF TRADE MARK REGISTRATION NUMBER 1586464 IN THE

NAME OF CONTINENTAL SHELF 128 LIMITED

AND IN THE MATTER OF AN APPLICATION FOR REVOCATION BY ELIZABETH
FLORENCE EMANUEL UNDER NUMBER 11105

DECISION

Introduction

1. These are appeals to the Appointed Person against decisions of Mr. Knight, the Hearing Officer acting for the Registrar, dated 17th October 2002. They concern a dispute between Elizabeth Emanuel, a well known designer of fashion clothes, and Continental Shelf 128 Limited ("CSL") over the trade mark ELIZABETH EMANUEL.
2. Earlier in the course of these appeals CSL made an application to have them referred to the High Court pursuant to section 76 of the Trade Marks Act 1994

("the Act"). The application was opposed by Elizabeth Emanuel. Section 76 confers on the Appointed Person a discretion to refer an appeal to the High Court if it appears to him that a point of general legal importance is involved. By a written interim decision dated the 27th June 2003 I refused the application. At that stage I recognised that the cases raised an issue of legal importance, but nevertheless I declined to exercise my discretion to refer for essentially two reasons. The first concerned the financial position of Elizabeth Emanuel. It was apparent that if I referred the appeals to the High Court then Elizabeth Emanuel would probably have to abandon them, due to the financial risks involved and her financial circumstances. It seemed to me that the power to refer should be used particularly sparingly if it would result in an appellant having to abandon the appeal. Secondly, I was hopeful that the cases could be resolved on the facts and without the need for any further hearing.

Background

3. I set out the important aspects of the background in my interim decision. For convenience I will restate them here, with some additions.
4. At all relevant times, Elizabeth Emanuel was very well known as a designer of fashion clothes, particularly wedding wear. Her reputation increased dramatically in 1981 as a result of her involvement with the design of the wedding dress of the Princess of Wales. In 1990 she began trading under the name ELIZABETH EMANUEL from an address in Brook Street.
5. In 1996 Elizabeth Emanuel sought financial backing and entered into an agreement with a company called Hamlet International Plc under which a jointly owned company called Elizabeth Emanuel Plc ("EE Plc") was formed. Elizabeth Emanuel assigned to EE Plc, inter alia, the business of designing and selling garments formerly run by her under the name ELIZABETH EMANUEL, all assets of the business including its goodwill and an application for a registered trade mark comprising a device and the words ELIZABETH EMANUEL. That trade mark ("the Registered Mark") was duly registered in 1997 under No.

1586464. It was registered in respect of a range of goods in Class 25 as of 28th September 1994 and is depicted below:



6. In September 1997 Elizabeth Emanuel fell into financial difficulties, and approached a Mr Shami Ahmed. As a result EE Plc entered into a further agreement with a company called Frostprint Ltd ("Frostprint"). Under that agreement EE Plc assigned to Frostprint, inter alia, the business of EE Plc as a going concern, including its goodwill, and the Registered Mark. At the same time Frostprint changed its name to Elizabeth Emanuel International Limited ("EE International"). Elizabeth Emanuel was employed by EE International.
7. In October 1997 Elizabeth Emanuel left the employment of EE International. Following her departure there was a period of about two months during which negotiations took place with a view to her possible re-engagement. During this period the staff of EE International were told to be circumspect when responding to any enquiries concerning Elizabeth Emmanuel.
8. In November 1997 EE International assigned the Registered Mark to another company called Oakridge Trading Limited ("Oakridge"). On the 18th March 1998 Oakridge applied to register the mark ELIZABETH EMANUEL under application No. 2161562. The application initially consisted of a series of four marks. Following examination it was divided. Three of the marks were transferred to application No. 2161562A which was subsequently withdrawn. The application in issue in these proceedings ("the Application") was for the trade mark ELIZABETH EMANUEL in block capital letters and it proceeded to

publication under No. 2161562B. Registration was sought in respect of a range of goods in Classes 3, 14, 18 and 25.

9. On the 7th January 1999, a Mr. Anthony Drew filed a notice of opposition to the Application and on the 9th September 1999 he applied to revoke the Registered Mark.
10. The application for revocation and the opposition were heard by the Hearing Officer on the 18th April 2002, at a combined hearing. By the time of the hearing the Application and the Registered Mark stood in the name of Continental Shelf 128 Limited ("CSL") and the name of the opponent and applicant for revocation had been changed from Anthony Drew to Elizabeth Emanuel. Nothing turned on these matters before the Hearing Officer.

The grounds of objection and decision of the Hearing Officer

11. Elizabeth Emanuel relies upon section 3(3)(b) of the Trade Marks Act 1994 ("the Act") in support of the appeal in the opposition proceedings and upon section 46(1)(d) of the Act in support of the appeal in the revocation proceedings. Although other grounds of objection were raised, they were either not pursued or accepted to add nothing. Accordingly, I do not need to consider them further.
12. Section 3(3)(b) of the Act implements Article 3(1)(g) of Directive 89/104 ("the Directive") which provides:
"1. The following shall not be registered or if registered shall be liable to be declared invalid:
...
(g) trade marks which are of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service;"
13. Section 46(1)(d) of the Act implements Article 12(2)(b) of the Directive which provides:
"2. A trade mark shall also be liable to revocation if, after the date on which it was registered,

....

(b) in consequence of the use made of it by the proprietor of the trade mark or with his consent in respect of the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services."

14. The Hearing Officer dismissed the opposition and the application for revocation. He found that there had been deception and confusion. Nevertheless, he considered that such deception and confusion was lawful and the inevitable consequence of the sale of a business and goodwill which has been conducted under the proprietor's own name.

The Appeals

15. On the 16th December 2002 Elizabeth Emanuel filed notices of appeal to an Appointed Person against each of the decisions pursuant to section 76 of the Act. The appeals came on for hearing together. Mr. J. Hill, instructed by Wragge & Co, appeared on behalf of Elizabeth Emanuel and Mr. R. Hacon, instructed by Addleshaw Goddard, appeared on behalf of CSL. Both parties agreed that this tribunal should adopt the approach explained by the Court of Appeal in *Reef Trade Mark* [2003] RPC 5. An appeal is by way of review of the decision of the Hearing Officer. This tribunal should show a real reluctance, but not the very highest degree of reluctance, to interfere with the decision of the Hearing Officer in the absence of a distinct and material error of principle.
16. The parties both submitted that the appeals raise issues as to the proper interpretation of Article 3(1)(g) and Article 12(2)(b) of the Directive. Both parties also agreed that this tribunal has jurisdiction to request a preliminary ruling from the European Court of Justice when it considers that a decision on a question of Community law is necessary to enable it to give judgment. There was some discussion before me as to whether or not this tribunal is a tribunal of last resort, such that in those circumstances a reference would be mandatory. In *Maasland NV's Application* [2000] RPC 893, Mr. Geoffrey Hobbs QC, sitting as an Appointed Person, expressed the view that this tribunal is not a tribunal of last

resort because it is generally understood that proceedings for judicial review may be brought in respect of its decisions in appropriate circumstances. Nevertheless both parties also agreed that if I considered that a decision on a question of Community law was necessary to enable me to give judgment then it would be sensible to make a reference at this stage, so as to avoid the further rounds of litigation that would result from an application for judicial review.

17. Counsel for Elizabeth Emanuel attacked the Hearing Officer's decisions on two grounds:
 - (i) he wrongly assessed the evidence; and
 - (ii) he applied the wrong legal test when considering sections 3(3)(b) and 46(1)(d) of the Act.

18. I think it is first necessary to address the submissions in relation to the evidence before turning to the law.

The Evidence

The opposition proceedings

19. In the opposition proceedings, the parties agreed that the material date was the 18th March 1998. The Hearing Officer was clearly of the view that the evidence established that there had been confusion and deception, both before and after that time. At paragraph 23 of his decision he said:

"That there has been confusion and deception there is no doubt. There is ample evidence that the trade and the public believed that Elizabeth Emanuel was still with the applicant's business after she had left."

20. He then recited the various instances of alleged confusion relied upon and continued, at paragraph 25:

"If one looks carefully at the instances of confusion, one notes immediately that a significant number of the instances relied upon by the opponent occurred at the time of the breakdown in the business relationship between Elizabeth Emanuel and Mr. Ahmed or shortly thereafter, whilst others are not examples of confusion at all. It is I think accepted that the possibility of Elizabeth Emanuel being re-engaged by Mr. Ahmed was a "live" possibility until (probably) the beginning of 1998. That being the case, the fact that the

applicant placed advertisements in a publication such as Vogue in the following terms:

'ELIZABETH EMANUEL, 49, Dorset Street, London W1H 3SH 0171 224 4522 Designer of the world's most famous wedding gown, Elizabeth Emanuel bridal gowns are highly acclaimed for the exquisite design and tailoring, from the extremely theatrical to the simple and understated, using the highest quality silks, beadwork, and lace. Ready-to-wear evening and day-wear and exclusive accessories are available in our boutique. By appointment.'

is hardly surprising; although there is no evidence on this point, I assume that publications such as Vogue require advertisements to be provided some time in advance of their actual publication. The affidavit of Anna Pukas is clearly not evidence of confusion; in my view it merely indicated that at the time of the phone call i.e the end of January 1998, the shop assistant answering the telephone was uncertain as to the status of Elizabeth Emanuel within the company; similar considerations apply to the affidavits of Maureen Crawl and Jane Kerr."

21. The Hearing Officer then turned to consider various instances of confusion which occurred at the Harrogate Bridal Fair in September of 1998. He said, in paragraph 26:

"Although strictly after the material date in these proceedings, the instances of confusion occurring at the Harrogate Bridal Fair which took place in September 1998 and commented on in the affidavits of Mary Blair, Christina Brandon and Shirley Hilary are of interest, they shed light on what the public perception of the words ELIZABETH EMANUEL would have been at the material date. These ladies assumed from the use of the name ELIZABETH EMANUEL on the applicant's stand that Elizabeth Emanuel was still involved in the business. Given the nature of the business conducted under the ELIZABETH EMANUEL name prior to its sale to the applicant, the assumption the three ladies arrived at was understandable. However, in my view, it is this type of confusion that it is inevitable when a business is sold; it is the "lawful deception" referred to by Dankwerts J. The same applies to the various telephone calls made to stores which sold clothing under the ELIZABETH EMANUEL name and also to the conclusions reached by Shirley Darby, Elisabeth King and Angela Bracken."

In this passage the Hearing Officer characterised the confusion as "lawful deception", as described by Dankwerts J. in the passing off case of *Reuter v Mulhens* (1953) 70 RPC 102, an authority to which I will return later in this decision.

22. In paragraph 32 of his decision the Hearing Officer turned to consider an allegation that EE International actively misled customers and potential customers by telling them that Elizabeth Emanuel was still involved with the business. He rejected the allegation in the following terms:

"There is, however, the allegation that International actively told customers or potential customers that she was still involved with the company. In my view the evidence does not support that allegation. There must have been the need for a degree of circumspection in the period while discussions between the applicant and Elizabeth Emanuel took place. There is also the fact that through articles in the press and television programmes the split between the two parties to the dispute before me was publicised."

23. Finally, in paragraph 33 of his decision, the Hearing Officer summarised his conclusions as follows:

"The material date in these proceedings is 18 March 1998. It is clear from the foregoing that in September 1997, Elizabeth Emanuel, through EE Plc sold to the applicant (amongst other things) the rights to the registered trade mark shown above together with the goodwill in the business (including the business names or names under which the business is carried on to the extent they are capable of transference) and the exclusive right for the purchaser to hold itself out as carrying on the business in succession to the vendor to EE International. Elizabeth Emanuel left EE International in October 1997 and the possibility of her re-engagement by the applicant ceased in either late December 1997 or early January 1998. The breakdown of the business relationship between Elizabeth Emanuel and Mr Ahmed was reported in the national press; as a result of this national press coverage it is I think reasonable to infer that a not insignificant number of people would have become aware of the rift. Clearly not all of the relevant public had become aware of the "parting of the ways"; this is particularly true of the visitors to the Harrogate Bridal Fair, to the recipients of the various telephone calls made by Elizabeth Emanuel, Mr. Drew and Mr. Boughton and to Ms. Darby, King and Bracken. Although these instances were after the material date in these proceedings, if the individuals concerned held the views they did after the material date, it is reasonable to infer that they would have held the same view at the time the application in suit was filed. However, notwithstanding the evidence of these individuals, their confusion as to Elizabeth Emanuel's involvement in the applicant's business, amounts, in my view, to the "lawful deception" referred to by Dankwerts J which inevitably occurs in the transitional period following the sale of a business. At the Hearing, Counsel's submissions were principally in the context of use of the application in relation to articles of clothing. For the reasons

indicated above, the objection based on section 3(3)(b) in relation to goods in Class 25 fails; I do not see how in the light of that finding the opponent can be in any better position in relation to the goods in Classes 3 14 and 18 and the objection based on section 3(3)(b) to those classes also fails."

24. On appeal, counsel for Elizabeth Emanuel challenged the findings of the Hearing Officer which I have set out above. In particular, it was argued that the Hearing Officer was right to find that there was ample evidence that the trade and public believed that Elizabeth Emanuel was still involved with the business after her departure, but that he fell into error in believing that the deception would quickly wane over time. Further, it was argued, the Hearing Officer ought to have found that a significant number of consumers took the use of the mark ELIZABETH EMANUEL in relation to garments to indicate that those garments had been designed by Elizabeth Emanuel and that this belief was likely to influence their purchasing behaviour. In support of these submissions I was referred first, to the evidence of Mary Blair, Christina Brandon and Shirley Hilary, who attended the Harrogate Bridal Fair; secondly, to the evidence of the journalists Jane Kerr and Anna Pukas and a recruitment consultant, Maureen Cawt and thirdly, to the evidence of two members of the public, Elisabeth King and Shirley Darby and a design assistant, Mr. Boughton.
25. Counsel for Elizabeth Emanuel also contended that the Hearing Officer erred in failing to find that EE International and Oakridge actively told customers and potential customers that she was still involved with the company. In this regard, reliance was placed upon the evidence of Anna Pukis, Maureen Cawt, Jane Kerr and Christina Brandon.
26. Mary Blair, Christina Brandon and Shirley Hilary were all trade witnesses. They attended the Harrogate Bridal Fair to buy garments for their respective businesses. In paragraph 26 of his decision, set out above, the Hearing Officer concluded that each of these ladies was confused into believing that Elizabeth Emanuel was still involved with the business. I agree with his conclusion. But I think the evidence goes further. Each of them placed orders for garments in the mistaken belief that they had been designed by Elizabeth Emanuel herself. They

each reached this conclusion on the basis of the reputation attaching to Elizabeth Emanuel, the use of her name in relation to the stand and on promotional materials on display and in the light of discussions with representatives on the stand.

27. The journalists, Ms Pukas and Ms Kerr, each gave evidence about telephone conversations that they had in January 1998 with shop assistants still working in the business. They asked to speak to Elizabeth Emanuel but were told that she was not available. It is fair to say that the assistants did not make the true position clear. Miss Cawt had a similar experience in February 1998. Nevertheless, I believe the Hearing Officer was right to come to the conclusion which he did in paragraph 25 of his decision, that these affidavits do not evidence any actual confusion. It is quite clear that these deponents were not themselves confused. I also think he was entitled to come to the conclusion that the evidence revealed that the shop assistants answering the telephone calls were uncertain as to the status of Elizabeth Emanuel within the business.

28. Elisabeth King, Shirley Darby and David Boughton gave evidence as to the position in the spring and summer of 2000. Miss King and Miss Darby each brought dresses bearing the label ELIZABETH EMANUEL. They bought the garments in the belief that Elizabeth Emanuel had been personally involved in some way in the design and manufacture of those garments. Mr. Boughton is a design assistant who made telephone enquiries of the John Lewis store in Oxford Street and asked a shop assistant about the "Elizabeth Emanuel" dresses stocked by the store. It seems clear from the report of the telephone conversation that the shop assistant at the store believed that the dresses had been designed by Elizabeth Emanuel personally. This evidence was reviewed by the Hearing Officer and it seems from paragraphs 26 and 33 of his decision that he too believed that they evidenced actual confusion.

29. In paragraph 33 of his decision, set out above, the Hearing Officer summarised his conclusions on the evidence. He referred to the fact that the breakdown of the business relationship between Elizabeth Emanuel and Mr Ahmed was reported in

the national press and thought it reasonable to infer that a "not insignificant" number of people would have become aware of the rift. He continued that it was clear that not all of the relevant public had become aware of the rift from the evidence before him but, notwithstanding that evidence, he thought that the confusion as to Elizabeth Emanuel's involvement in the business was lawful and the kind of deception which inevitably occurs in the transitional period following the sale of a business.

30. I believe there are a number of difficulties with this paragraph of the decision. First, the Hearing Officer does not appear to have made any clear finding as to the extent of confusion and deception resulting from the use of the mark ELIZABETH EMANUEL by Oakridge in March 1998 and thereafter. In this regard he simply found that "not all" the relevant public had become aware of the rift although "a not insignificant" number of people had become aware of it. Secondly, the Hearing Officer has made no specific finding as to the nature of the deception and confusion which was occurring. He found that there was ample evidence that the public believed that Elizabeth Emanuel was still involved with the business after she had left, but he has not specifically addressed the contention that to a significant portion of the relevant public the mark ELIZABETH EMANUEL denoted garments actually designed and created by Elizabeth Emanuel and further, that this deception and confusion was likely to influence the purchasing behaviour of those persons. Thirdly, the Hearing Officer has made no clear finding as to the duration of the deception and confusion, although it may be inferred from his finding that the confusion was of the kind which inevitably occurs in the transitional period following the sale of a business that he thought it would diminish relatively quickly.

31. I am conscious that an appeal to an Appointed Person is by way of review of the decision of the Hearing Officer. I should show a real reluctance to interfere with the decision of a Hearing Officer in the absence of a distinct and material error of principle. However in the present case I believe that the factual matters I have identified are potentially significant. In the light of the fact that I do not believe the Hearing Officer has made any clear findings in relation to those matters, I

think I must set out my own conclusions. For this reason, I have set out that what I believe to be key aspects of the evidence relied upon. I have also reviewed all the evidence before the Hearing Officer.

32. I have come to the conclusion that, as of the 18th March 1998, a significant portion of the relevant public took the use of the mark ELIZABETH EMANUEL in relation to garments to indicate that Elizabeth Emanuel was personally involved in their design and creation. I also conclude that this belief was likely to influence the purchasing behaviour of those persons. I find it much more difficult to assess the duration of this confusion. In this regard I am conscious of the fact that the split between the two parties to the dispute received national publicity and that inevitably it must have diminished over time. Nevertheless, I believe the evidence establishes that it continued well into the year 2000.
33. I must also address the contention that the Hearing Officer fell into error in rejecting the contention that EE International and Oakridge actively told customers or potential customers that Elizabeth Emanuel was still involved with the business after her departure. I have reviewed the evidence relied upon in support of this submission and I conclude that the Hearing Officer was fully entitled to come to the conclusion that he did.

The revocation proceedings

34. The revocation proceedings commenced on the 9th September 1999. Before the Hearing Officer it appears that both parties agreed that the material date was the date of the hearing, that is to say the 18th April 2002. The Hearing Officer believed that to be confirmed by the decision of the House of Lords in *Scandecor Development AB v. Scandecor Marketing AB* [2002] FSR 7 and, in particular, paragraph 49 of the speech of Lord Nicholls. Before me it was contended on behalf of Elizabeth Emanuel that the material date must be the date of the commencement of the proceedings for revocation, that is to say the 9th September 1999. I accept that submission. I believe that the scheme of section 46 of the Act is directed to a consideration of the registration as of the date of the application for revocation. Section 46(6) provides:

"Where the registration of a trade mark is revoked to any extent, the rights of the proprietor should be deemed to have ceased to that extent as from-

- (a) the date of the application for revocation or
- (b) if the registrar or court is satisfied that the grounds for revocation existed at an earlier date, that date."

This indicates that the matter must be considered as at the date of the application for revocation.

35. I do not understand the decision in *Scandecor* to be inconsistent with this approach. In paragraph 49 of his speech Lord Nicholls said in relation to section 46(1)(d):

"The claim in these proceedings is that, in consequence of the use made of the marks by Scandecor Marketing and Scandecor Ltd with the consent of Scandecor International, the marks are "liable to mislead the public". That is essentially a question of fact. That question of fact must be answered having regard to matters as they now are, not as they were at some time in the past. In deciding this issue of fact the court must have due regard, as I have been at pains to emphasise, to the message which a trade mark conveys. But since the question is whether the marks are currently liable to mislead, the message which is relevant is the message which use of the mark conveys today, not the message it would have conveyed to the public in the past."

I believe that Lord Nicholls was there drawing a distinction between the message which a mark conveys at the date of the proceedings for revocation and the message it may have conveyed at some earlier date prior to the commencement of those proceedings. I do not believe that he was drawing a distinction between the date of commencement of proceedings for revocation and the date of the hearing of those proceedings.

36. The evidence before the Hearing Officer in the revocation proceedings was the same as that in the opposition proceedings. In the light of his findings in the opposition the Hearing Officer proceeded to set out his conclusion on the evidence shortly in paragraph 12 of his decision:

"Given that my decision under Section 3(3)(b) of the Act mentioned above was based on the position as at 18 March 1998, it appears to me that the registered proprietors are in the context of these revocation proceedings, in, if anything, a better position where the issue is to be decided as at the date of the Hearing (18 April 2002). I reach this conclusion on the basis that the public will have had longer to become aware of the sale of the registered trade mark and the associated business to the registered proprietors and in consequence the likelihood of the public being deceived will have diminished. But, for the reasons given in Opposition No. 49342, in relation to an allegation based upon Section 3(3)(b) of the Act, I hold in this case that the use made of the registered trade mark in suit by the registered proprietor is not liable to mislead the public. The revocation action based upon Section 46(1)(d) is therefore dismissed."

37. I agree that by the date of commencement of the revocation proceedings and still more so by the date of the hearing, the 18th April 2002, the public had longer to become aware of the split between the parties and that, in consequence, the likelihood of the public being deceived must have diminished. Nevertheless, as set out above, I have concluded that the use of the mark ELIZABETH EMANUEL in relation to garments was likely to cause confusion at least well into the year 2000. It denoted to a significant number of persons that Elizabeth Emanuel was personally involved with the design and creation of those garments.

Articles 3(1)(g) and 12(2)(b)

38. The rival contentions of the parties may be shortly stated. It was argued for Elizabeth Emanuel that the issue under both provisions must be considered from the standpoint of the average consumer who is reasonably well informed and reasonably observant and circumspect. If it is shown, having regard to the opinions or habits of the consumers in question, that there is a real risk of their economic behaviour being affected by an inaccurate message conveyed by the mark then the requirements of the provisions are satisfied. Further, the ownership of rights and goodwill are completely irrelevant to the consideration because the provisions are solely concerned with public interpretation of the mark in question.

39. On behalf of CSL it was argued that when a business of making goods under a trade mark is sold together with the trade mark and goodwill of that business and the purchaser thereafter carries on the same business, selling the same goods under the purchased trade mark, then it is inevitable that, for a period of time, members of the public will not appreciate that the business has undergone a change of hands and will therefore assume that the goods come from the same source as before. Such confusion is the inevitable consequence of the sale of a business and cannot be objectionable under Articles 3 or 12 of the Directive.

40. The Hearing Officer preferred the submissions of CSL. He relied, in particular, upon the reasoning of Dankwerts J. in *Reuter v. Mulhens* (1953) 70 RPC at 121:

"The only way in which the goodwill of a business can be preserved in the hands of a purchaser is by inducing the public to believe that the purchaser is still carrying on the business which the transferor owned and carried on, and that the public may, therefore, expect to receive the same attention and satisfaction and the same type and quality of goods. This, as I remarked in the course of the argument, is lawful deception. The argument that the use by the purchaser of the old firm name was a fraud was summarily rejected by Shadwell V.C in *Lewis v. Langdon* (1835) 7 Simons R. 421 at 424. It is, in my view, in the absence of special circumstances, perfectly legitimate for the purchaser of the goodwill of the business to use the get-up and appearance of the goods previously sold in the course of that business. What, after all, is the real ground of the passing-off action? It is to prevent a trader, by imitating the goods of another trader, stealing part of the goodwill built up in connection with those goods. But, if the goodwill so built up is the property of the trader who is using the get-up and appearance in connection with his goods, this method of trading cannot be wrongful and must be justified."

The Judge in that case accordingly rejected the claim in passing off and his decision was subsequently confirmed by the Court of Appeal at (1953) 70 RPC 235.

41. As indicated, the Hearing Officer concluded that the confusion which he had found was just the kind of "lawful deception" referred to by Dankwerts J. and that accordingly the objections to the Application and the Registered Mark must fail.

42. Before dealing with the submissions on the main issue before me I must first address an additional point raised on behalf of CSL in relation to Article 3(1)(g). It was submitted that this provision is only applicable in relation to inherent characteristics of the mark in issue and that all evidence as to how the mark is actually perceived is irrelevant. I am unable to accept this submission. I agree that the provision is concerned with an absolute rather than a relative ground of objection. It is an objection based upon the mark in issue and requires a consideration of whether the mark is, of itself, deceptive. But that does not mean that how it is in fact perceived is irrelevant. An inherently deceptive mark may have been rendered non deceptive by use or, conversely, an inherently non deceptive mark may have become deceptive through use. There is nothing in Article 3(1)(g) which indicates that the message which is actually conveyed by a mark is to be disregarded. Further, the submission could not be and, indeed, has not been made in relation to Article 12(2)(b), which deals with the situation where a mark has become deceptive after the date on which it was registered and in consequence of use made of it by the proprietor or with his consent. If the submission is correct it would seem to follow that a mark which has become deceptive as a result of such use made of it before the date of application could nevertheless be registered. That seems to me to be a very unsatisfactory interpretation of the provision.
43. Turning to the main issue, I have considerable sympathy with the submissions advanced on behalf of CSL. I think it is clear that the Directive and the Act contemplate the assignment of businesses, including goodwill and trade marks. Such sales are a common occurrence and it would be an extraordinary result if they rendered associated trade marks invalid. But to my mind the answer in most cases lies not so much in any notion of “lawful deception”, but rather in the fact that the sale of a business does not of itself make a trade mark deceptive. True it is that the essential function of a trade mark is to denote that the goods bearing the mark come from one business source, but that does not mean that the source may not change hands or that the persons actually in control of the business may not change. This is something which the public recognise and has been

understood as an aspect of the common law of trade marks for many years. In *Scandecor* Lord Nicholls explained:

" 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 out": see Romer L.J. 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 as to a purchaser of the mark as it does to the original owner."

44. Later, in considering the position which exists while an exclusive licence is in operation and after its termination, he said:

"42. Before proceeding further I must mention some of the practical implications of the view expressed above, starting with the position which exists while an exclusive licence is in operation. The mere fact that, during this period, some customers may associate the trade mark with the exclusive licensee does not mean that it has become deceptive or that it lacks distinctiveness. During the licence period the goods come from only one source, namely the licensee, and the mark is distinctive of that source.

43. The position after the licence has ended is different. Then the right to use the mark reverts to the proprietor of the mark. He can then apply the mark to his goods. The position is, indeed, comparable to the position which arises when a trade mark is assigned without any assignment of the assignor's business. Whether this change in the person entitled to use the mark gives rise to deception will depend primarily on what then happens to the erstwhile licensee's business. If the former licensee ceases to carry on the business in which he used the mark, no question of deception due to

lack of distinctiveness will normally arise. Henceforward the mark will be distinctive of one source, namely the proprietor of the mark. This will be a different source from the source during the licence period, but this change in the source is not itself inherently deceptive. Such a change occurs whenever a trade mark changes hands.

44. What happens if, after the licence has ended, the former licensee continues to carry on the same business as he did during the licence period? Suppose he continues to manufacture the same goods and deal with the same customers, but without using the licensed mark. In such a case there may be scope for confusion and deception. Any customers who were aware of the identity of the source during the licence period may continue to associate goods bearing the mark with the former licensee and his continuing business. When that is the position, the mark may no longer be distinctive of one business source. Whether that is so will depend on the facts of the case."

45. I do not believe that the assignment of a business together with any trade marks used in relation to the goods sold by that business is inherently deceptive. Members of the public are well aware that the owners or management of a business may change. Accordingly, if that were the only issue raised in this case I would have no hesitation in affirming the decision of the Hearing Officer and dismissing the appeals.
46. However, it is contended for Elizabeth Emanuel that this is not simply a case about the change in management or ownership of a business. It is said that at the relevant dates the use of the mark ELIZABETH EMANUEL in relation to garments falsely indicated to a significant portion of the public that Elizabeth Emanuel herself was personally involved in designing and making those goods. This, it is said, is more than enough to justify the application of Articles 3(1)(g) and 12(2)(b). I believe that this raises a more difficult question, and one to which the following points are material.
47. First, it must be noted that Article 3(1)(g) of the Directive is cast in broad terms. Any trade mark which is of such a nature as to deceive the public shall not be registered. The use of the words "for instance" makes clear that the provision is not limited to deception as to the nature, quality or geographic origin of the goods or services. Article 12(2)(b) is in like terms. I think it at least arguable that

the wording is, on its face, sufficiently broad to cover the case where members of the public wrongly believe that a famous designer is actually responsible for the design and production of goods to which his or her name is applied as a trade mark, and are likely to buy the goods acting on that belief.

48. Secondly, I was referred to no Community jurisprudence which directly bears upon the application of the Directive in circumstances such as these. However, it was submitted that the relevant test may be derived from two decisions of the European Court of Justice. In case C-303/97 *Verbraucherschutzverein v. Sektkellerei GC Kessler* [1999] ECR I-513, the Court considered Article 13(2)(b) of Council Regulation No. 2333/92. This lays down rules concerning brand names for wine which are liable to be confused with the descriptions of other wines. In considering the criteria for assessing the likelihood of confusion, the Court explained (at paragraph 33) that, for the use of a brand name to be capable of being regarded as likely to cause confusion or mislead the persons to whom it is addressed, it must be established, having regard to the opinions or habits of the consumers concerned, that there is a real risk of their economic behaviour being affected. Further, the Court observed (at paragraph 36) it is for the national court to assess the likelihood of confusion and that in doing so it must take into account the presumed expectations of an average consumer who is reasonably well informed and reasonably observant and circumspect.
49. In Case C-87/97 *Consorzio per la Tutela del Formaggio Gorgonzola v Kaserei Champignon Hofmeister and Eduard Bracharz* [1999] 1 CMLR 1203 the Court considered, inter alia, whether registration of the trade mark “Cambazola” offended against Article 3(1)(g) of the Directive by evoking the name “Gorgonzola”. It concluded (at paragraphs 41 and 42) that the circumstances envisaged by the provision presuppose the existence of actual deceit or a sufficiently serious risk that the consumer will be deceived, and that it was for the national court to apply the test on the facts of the case before it.
50. Based upon these authorities it was submitted for Elizabeth Emanuel that the test is as follows:

(a) matters must be considered from the standpoint of the average consumer who is deemed to be reasonably observant and circumspect;

(b) for a mark to be liable to mislead, it must be established, having regard to the opinions or habits of the consumers in question, that there is a real risk of their economic behaviour being affected by an inaccurate message conveyed by the mark. The existence of actual deceit or a sufficiently serious risk that the consumer will be deceived must be shown.

51. It seems to me that this is, at least, a tenable argument. Articles 3 and 12 are concerned with the protection of the public. If a trade mark is deceptive such that there is a real risk that the purchasing behaviour of the average consumer will be affected, then there is a public interest in prohibiting the registration of that mark.

52. Conversely, I believe there is also a clear public interest in allowing the sale and assignment of businesses and goodwill, together with associated trade marks. That public interest must apply just as much to small businesses as to substantial ones. But particularly in the case of small businesses involved in the selling of goods, there will be cases where the public may well believe, for at least a time after the transfer, that a particular individual is still involved with the design or production of those goods. I think it is questionable whether this confusion, limited as it is likely to be in time, is incompatible with the essential function of a trade mark as an indication of origin of the goods in a particular business. In the case of the Registered Mark it may also be questioned whether or not any liability to deceive may fairly be said to be in consequence of the use made of it *by the proprietor or with his consent*.

53. For these reasons I have come to the conclusion that this case raises an issue which I am unable to say is *acte clair*. The issue is whether a trade mark is to be regarded as liable to mislead the public within the meaning of Article 3(1)(g) or Article 12(2)(b) if, for a period following its assignment together with the business of making the goods to which it relates, the use of the mark in relation to those goods is liable to deceive the public into believing, contrary to the fact, that a particular person has been involved in designing and making those goods.

54. The questions for the Court of Justice must, of course, be my own. But I propose to invite the parties to make submissions as to their form before finally deciding upon them. In the meantime the further conduct of these appeals must be adjourned.

David Kitchin QC

16th January 2004