Neutral Citation Number: [2023] EWHC 47 (Ch)

Case No: IL-2021-CDF-000001

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS IN WALES
INTELLECTUAL PROPERTY LIST (ChD)

Cardiff Civil Justice Centre
2 Park Street, Cardiff, CF10 1ET

18 January 2023

Before:

HIS HONOUR JUDGE KEYSER KC
SITTING AS A JUDGE OF THE HIGH COURT

- -

Between:

QUANTUM ADVISORY LIMITED	**Claimant**
- and -	
QUANTUM ACTUARIAL LLP	**Defendant**

- -
- -

Emma Himsworth KC and **Guy Adams** (instructed by **Harrison Clark Rickerbys Limited**) for the **Claimant**
Jonathan Hill (instructed by **Acuity Law Limited**) for the **Defendant**

Hearing dates: 1, 2 and 3 November 2022

- -

Approved Judgment

This judgment was handed down remotely at 10.30am on [date] by circulation to the parties or their representatives by e-mail and by release to the National Archives.

....

HIS HONOUR JUDGE KEYSER KC

This judgment was handed down remotely by email to the parties and release to The National Archives. The date and time of hand-down is deemed to be 10.30 a.m. on 18 January 2023.

Judge Keyser KC:

Introduction and Background

1. This is my judgment after the trial of one of a number of disputes that have arisen between the claimant, Quantum Advisory Limited ("Quad"), and the defendant, Quantum Actuarial LLP ("LLP"), in the context of the commercial arrangements between them. The present dispute concerns the basis on which LLP is permitted by Quad to use the mark QUANTUM ADVISORY ("the Mark"), the ownership of trade mark registrations that LLP obtained for the Mark and various associated marks, and the ownership of goodwill associated with the Mark. A related dispute concerning the ownership of a domain name has now been resolved.

2. The background to the relationship between the parties has been set out at length in two judgments in an earlier case: my own at first instance, [2020] EWHC 1072 (Comm); and on appeal that of Carr LJ, [2021] EWCA Civ 227, [2022] 1 All ER (Comm) 473. I take the following summary largely from Carr LJ's judgment, supplemented by my own earlier judgment, the parties' helpful agreed case summary, and the evidence in these proceedings.

3. LLP is an entity formed in 2007 as part of a re-organisation of three businesses providing pension-fund-related services: Quantum Advisory Limited ("Old Quad": not the claimant), Renaissance Pension Services Limited ("RPS") and Quantum Financial Consulting Limited ("QFC") (together, "the legacy companies").

4. Old Quad was incorporated in 2000 by a group of former colleagues at PricewaterhouseCoopers LLP: Martin Coombes, Peter Baldwin, Andrew Reid-Jones and David Deidun. Mr Coombes was its single largest shareholder and managing director.

5. Old Quad carried on business as a provider of administrative, actuarial and related services, primarily for defined-benefit pension schemes. It carried on its business in the name Quantum Advisory, or "QA" for short. In March 2000 it procured the registration of the domain name quantumadvisory.co.uk, and shortly afterwards it established a website at the domain, which it used thereafter for the purposes of its business. It also adopted the style for email addresses of name@quantumadvisory.co.uk. Its letterhead showed the company name, with a QA logo, as well as the website and email addresses.

6. Also in 2000, QFC was set up for the purpose of undertaking regulated financial services work associated with Old Quad's pensions consultancy and administration work. Mr Coombes was its majority shareholder for regulatory reasons; it was understood that he held his shareholding on trust for Old Quad.

7. In 2004 Old Quad entered into a joint venture with a team led by former colleagues at Bacon & Woodrow, including Robert Davies and Mark Vincent. The venture involved the creation of RPS, of which Old Quad and Mr Davies were the principal shareholders. RPS was to carry on a similar business to that of Old Quad with a view, following a three-year period of business development, to merging with Old Quad. During this period, engagements with RPS's clients were entered into by Old Quad, which then accounted to RPS for an agreed proportion of the fee income.

8. By 2007 Old Quad had built up and acquired a substantial and valuable goodwill and reputation under and by reference to the name and mark Quantum Advisory.

9. By 2007, too, the interests and ambitions of those involved in the legacy companies had begun to diverge. Mr Coombes wanted to diversify (by developing a pensions- and tax-based consultancy), whilst his colleagues did not. It was agreed that there would be a re-organisation of the business. A buy-out of Mr Coombes' interest in Old Quad was financially impossible, given its value, and undesirable for other practical and commercial reasons. A different re-organisation model was instead agreed.

10. In summary, the business of the legacy companies would be continued by a new entity, which would seek to develop and expand it. However, the goodwill of the existing legacy business would be ringfenced: the clients of the legacy companies ("the legacy clients") would remain the clients of the legacy companies (or their assigns), but they would be serviced on behalf of the legacy companies by the new entity, which would then receive a fee representing the cost to it of providing the services to the legacy clients. Accordingly, the new entity would not receive any profit element for servicing the legacy clients. Instead, the benefit to the new entity was that it would receive a turnkey business: it would take over all of the staff of the legacy companies and have the full use of their premises and equipment and the Quantum brand, as well as having an established client base on which to build new business. In this way it would be enabled to develop its own business without the usual costs and risks associated with starting a business from scratch.

11. LLP was incorporated on 12 March 2007 as the new entity in question. The model was implemented in two stages, dealing first with the (unregulated) business of Old Quad and RPS and then the (regulated) business of QFC.

12. The arrangement for the unregulated business was put into effect in April 2007 but only formalised by an agreement dated 1 November 2007 and made between LLP and Old Quad ("the Services Agreement"). The work relating to the pensions-consulting, actuarial, administrative and investment services that Old Quad had provided to the legacy clients would henceforth be carried out by LLP. Old Quad would pay LLP 57% of the fee income received from those clients; that figure was designed to cover the cost of providing the services to clients, with the 43% retained by Old Quad representing the profit element. LLP was given the right to use the Quantum brand, and the premises, personnel and equipment of the existing business.

13. The arrangement for the regulated business was formalised by an agreement made in February 2009 between LLP and QFC (the Introducer's Appointed Representative Agreement, referred to as "the IAR Agreement"), under which LLP provided services (on its own account, owing to regulatory requirements) in regulated investment advice and insurance mediation services to the legacy clients.

14. Shortly after the execution of the Services Agreement, the assets and business, including the goodwill, of Old Quad were transferred to the claimant (at that time called Pascal Company Solutions Limited) and the Services Agreement was novated between the claimant and LLP. Then the claimant and Old Quad swapped names: the claimant changed its name to Quantum Advisory Limited, and Old Quad changed its name to Pascal Company Solutions Limited. In 2011 the IAR Agreement was novated between Quad and LLP. Shortly afterwards, Old Quad was dissolved.

15. It is common ground that, since about January 2000, first the legacy companies and thereafter both Quad and LLP have traded under and by reference to the Mark. The style of email addresses and the website have continued to be used by both companies. LLP adopted a common letterhead, which displayed the Mark and the corporate names of both Quad and LLP. Similarly, all invoices and emails sent by LLP were in common form for both legacy business and LLP business. In 2009 the branding was refreshed, but the letterhead continued to show the Mark, with a modified logo, and the website and email addresses, and the bottom of the page showed both corporate names. There was a further rebranding in 2016, with a new logo, but the information on the letters and invoices remained materially unchanged. (On each occasion the format of the emails was also modified, to similar effect.) All communications sent out by LLP continued to show both corporate names until about May 2018, when the name of Quad began to be omitted from communications with non-legacy clients. Both entities have at all times continued to use the single website, which contains testimonials from both LLP clients and legacy clients and contains a statement that LLP "trading as Quantum Advisory" "processes business on behalf of Quantum Advisory Ltd".

16. In about June 2018 a dispute arose between the parties as to various matters, including whether LLP was bound by the Services Agreement. In my judgment previously mentioned, I held among other things that Quad and LLP were bound by the terms of the Services Agreement. The Court of Appeal upheld that judgment.

17. Between June and November 2018, without the knowledge of Quad, LLP in its own name applied for registration of four trade marks, as follows:

(a) UK trade mark no. UK00003320701, for the device shown below ("the Q Device Trade Mark"):

(b) UK trade mark no. UK00003320706 ("the Device Trade Mark"):

QUANTUM ADVISORY
WORKING IN PARTNERSHIP WITH YOU

(c) UK trade mark no. UK00003320709 ('the Device Series Trade Mark'):

(d) UK trade mark no. UK00003350849, for the word mark QUANTUM ADVISORY (‘the Word Trade Mark’).

18. The first inkling that Quad had of these actions of LLP came in a letter dated 9 July 2020 that Mr Williams wrote on behalf of LLP to the directors of Quad:

> “We refer to recent correspondence from yourselves.
>
> We note that, without our consent, you use the letterhead of the LLP which contains our logo as well as other registered Trade Marks. The LLP is the owner of four registered marks (UK00003320702, UK00003320706, UK00003320709 and UK00003350849). Please refrain from using the LLP’s Trade Marks on your correspondence.”

In the ensuing correspondence Mr Williams wrote again on behalf of LLP on 7 August 2020:

> “We refer to our letter dated 9 July 2020, which concerned your use of the LLP’s letterhead.
>
> As made clear in our previous letter, the LLP’s logo and other parts of the letterhead are protected by registered trade marks. The LLP has not provided its consent for you to use its trade marks (contained in the letterhead or otherwise), nor will consent be provided.
>
> To the contrary, our letter of 9 July 2020 specifically asked you to refrain from using the LLP’s trade marks on your correspondence. Given that your letters of 24 July 2020 and 6 August 2020 were issued on the LLP’s letterhead, you have evidently refused to comply with that request.
>
> Please confirm within 7 days of the date of this letter that you will stop using the LLP’s trade marks, be that on your correspondence or otherwise. If you fail to provide that confirmation and/ or continue to unlawfully make use of the

> LLP's trade mark(s), the LLP will have no option other than to take further action against you. Should further action be necessary, the LLP will refer to this correspondence (and our letter dated 9 July 2020) to show that the LLP has provided you with an opportunity to resolve this matter amicably."

19. It is Quad's case that LLP applied for and obtained the registration of the marks as its agent and/or representative and that accordingly Quad is entitled to ownership of the marks in equity; further or alternatively, that the register should be rectified under section 10B of the Trade Marks Act 1994. Quad does not contend that LLP ought to be prevented from its continued use of the Mark and associated trade marks while the current commercial arrangements between the parties are in place.

20. LLP denies that the trade mark registrations were on behalf of Quad, and it denies that Quad is entitled to ownership of the trade mark registrations in equity or to rectification of the register under the Trade Marks Act 1994. It asserts that it holds concurrent goodwill and/or concurrent rights to use the Mark and no longer requires any permission from Quad to use the Mark. It does not now seek to defend the contention, made in its letters of 9 July and 7 August 2020, that Quad is not entitled to use the Mark.

21. The parties have agreed that the following issues fall to be determined:

    1. What is the nature of the relationship between the parties; in particular does LLP owe Quad fiduciary duties whether as its agent or representative or otherwise?

    2. On what basis was LLP permitted to use the Mark?

    3. Does LLP no longer require any permission from Quad to use the Mark?

    4. Who is entitled to the goodwill in the name QUANTUM ADVISORY?

    5. Who is entitled in equity to the benefit of the registered trade marks?

    6. Is Quad entitled to be substituted as proprietor of the registered trade marks under section 10B of the Trade Marks Act 1994, and in particular (a) is LLP Quad's agent or representative for the purposes of section 10B and (b), if it is, can LLP justify registering the registered trade marks in its own name?

    7. What, if any, relief is Quad entitled to?

22. In the context of that overview, the remainder of this judgment will be structured as follows. First, I shall set out, at some length, relevant parts of the Services Agreement and summarise the gist of the IAR Agreement. Then I shall discuss the issues that arise. The main conclusions are summarised at the end of the judgment.

23. I am grateful to Ms Himsworth KC and Mr Adams, counsel for Quad, and to Mr Hill, counsel for LLP, for their well-structured and helpful submissions.

The Services Agreement

24. The Services Agreement referred to Old Quad as "Quad" (though "Quad" was defined to mean what I am calling Old Quad and to "include any other party to which this

Agreement is novated in its place"; therefore "Quad" includes the claimant) and referred to the defendant as "the LLP". The Recital, which according to clause 1.8 formed an operative part of the Agreement, stated:

> "Quad has resolved to appoint the LLP to carry out certain responsibilities for and on behalf of Quad in relation to its business, and the LLP agrees to carry out such responsibilities (the Services, as defined below) in consideration for the payment by Quad of the Administration Fees and any other payments due to Quad pursuant to this Agreement."

25. Clause 2 contained the following provisions:

> "2.1 With effect from the Effective Date [6 April 2007], Quad confirms the appointment of the LLP to be (subject to the provisions of clause 2.8 below) solely responsible for the provision to Quad of the services set out in Schedule 7 to this Agreement to the extent that they:- (a) relate to any engagements of Quad by the Clients, or (b) are referred to Quad or the LLP by any of the Introducers during the Extended Period [6 April 2007 until 31 March 2008] (save where any Introducer receives a bona fide substantive financial reward from the LLP), or (c) relate to the Pipeline Business, together with such other services as the parties may agree from time to time in writing that the LLP is to perform for Quad (the 'Services'). Quad confers upon and grants to the LLP such power and authority as is necessary or desirable for providing the Services. The LLP hereby accepts the appointment to provide the Services to Quad, subject to the terms and conditions set out in this Agreement.
>
> 2.2 The LLP shall not, during the course of this Agreement and for a period of 12 months after its expiration or termination for whatever reason, directly or indirectly:-
>
> 2.2.1 solicit or entice away (or attempt to solicit or entice away) any Client in connection with any Services; or
>
> 2.2.2 obtain instructions for any Services from any of the Clients or undertake any Services for any of the Clients; or
>
> 2.2.3 undertake any Services in relation to either the Pipeline Business or any work introduced by any of the Introducers during the Extended Period without first having referred such matters to Quad other than pursuant to the provisions of this Agreement;
>
> It is acknowledged that the LLP shall not be in breach of these provisions to the extent that Quad has been given the

opportunity to undertake any such Services and has declined the opportunity to do so in writing.

…

2.9 In addition to the restraints on the part of the LLP contained in this clause 2.2 above, the LLP shall not during the period from the date of this Agreement to and including the expiration of the Extended Period directly or indirectly solicit or endeavour to solicit or obtain instructions for Services from any of the Prospects [i.e. those identified by Old Quad as potential new clients in the twelve-month period before the making of the Services Agreement] other than for the benefit of Quad pursuant to the provisions of this Agreement save that this provision shall not apply to P&O.

2.10 For the purposes of this Agreement, the provisions of clause 2.1 shall not apply to work undertaken for any Clients where Quad acknowledges in writing to the LLP that both of the following conditions are satisfied:

2.10.1 the LLP employs or directly engages one or more individuals who previously acted as a scheme consultant or scheme actuary to a Client to the extent that any such employment or engagement does not relate to any person employed or directly engaged by Quad prior to the Effective Date; and

2.10.2 the sole reason for any additional work emanating from any such Client is the engagement by the LLP of the individual referred to in 2.10.1.

In such circumstances such discrete items of work shall be carried out by the LLP and invoiced by the LLP without any payment being due to Quad. For the avoidance of doubt, it is agreed that clause 2.10.1 shall not include circumstances where the LLP engages one or more individuals pursuant to an agreement or arrangement between the LLP and a third party for the provision of services to or on behalf of the LLP."

26. Schedule 7 defined the "Services" as "Provision of pensions consulting, actuarial, administrative and investment services". It contained a long list of examples of what fell within the definition. Clause 1 defined "Clients" to mean:

> "the clients and schemes to which Quad has provided any Services prior to 1st April 2007 together with such clients as are attributable to the Pipeline Business and any parties introduced either to Quad or the LLP by any of the Introducers during the Extended Period including (without limitation) those clients and

> schemes as are set out in Part 1 of Schedule 2 to this Agreement which expression shall include (where appropriate) any companies within the same group of companies as the relevant Client from time to time and any pension schemes sponsored by any Clients and any new entrants into such schemes".

The "Pipeline Business" was defined to mean "any engagements by Quad entered into with any of the Clients or Prospects or which are referred to Quad by any of the Introducers in connection with the provision of Services during the Extended Period". "Introducers" was defined to include all Clients, all those identified in Schedule 4 to the Services Agreement, and everyone else with whom Old Quad had had face to face contact for the purposes of engendering a commercial relationship in the twelve months immediately prior to 1 April 2007.

27. Clause 5 and Schedule 8 provided for the TUPE transfer of Quad's employees to the LLP. Schedule 8, which recorded that the agreement "envisage[d] that subsequent to the commencement of this agreement, the identity of the provider of the Services (or any part of the Services) may change (whether as a result of termination of this agreement, or part, or otherwise) resulting in a transfer of the Services in whole or in part" (paragraph 3.1) also contained detailed provisions dealing with employment upon such a Service Transfer.

28. Provisions relating to the supply of the Services were contained in clause 7, including the following:

> "7.1 The LLP shall provide the Services to Quad subject to the terms and conditions set out in this Agreement.
>
> 7.2 Quad shall at its own expense from time to time supply the LLP with all necessary information, data, documentation and other records and materials relating to the Services (the 'Input Documentation') within sufficient time to enable Quad [clearly this should read 'the LLP'] to provide the Services in accordance with this Agreement. The parties hereby acknowledge and confirm that as at the date hereof Quad has provided to the LLP all such Input Documentation as may be necessary for the LLP to commence provision of the Services to Quad. In addition, Quad shall make available the Assets to the LLP in order to enable it to perform the Services PROVIDED HOWEVER THAT such consent to use the Assets shall be terminated immediately upon the termination or expiration of this Agreement.
>
> 7.3 The LLP shall provide the Services in a professional, competent, diligent and efficient fashion in accordance with Best Industry Practice and shall devote such time and efforts as it deems reasonably necessary for the efficient operation of Quad's business.

7.4 The LLP shall in providing the Services comply with any statutory, regulatory or professional requirements as well as any other reasonable requirements made known to it from time to time by Quad which shall include (but not be limited to) the implementation of any actions arising from any reviews of service standards by Quad with any Clients or Introducers. The LLP shall consider in good faith any recommendations made by Quad in the LLP's performance of the Services and the LLP shall be deemed to accept any such recommendation unless the LLP promptly notifies Quad in writing of the LLP's rejection of any such recommendation and provides reasonably detailed reasons for such rejection.

7.5 Without prejudice to the generality of the LLP's obligations contained in this Agreement, the Services shall be performed to a standard no less favourable than that provided by the LLP from time to time for other clients in respect of services the same as or similar to the Services."

Clause 1 and Schedule 1 defined "Assets" as "All assets owned or leased by Quad to the extent that they are used on or prior to the date of this Agreement for the provision of the Services to the Clients or for any reason relating to the business of Quad".

29. Some of the provisions of clause 8 are also relevant in respect of the provision of the Services:

"8.1 With effect from the Effective Date, but subject to the proviso to this clause and to clause 8.3 below, the LLP is authorised to and agrees to exercise the powers and authorities conferred upon Quad to the extent that such powers and authorities relate or are ancillary to, arise from or are requisite for the provision of the Services PROVIDED THAT, in performing the duties and exercising the powers and authorities referred to in this clause the LLP shall:

8.1.1 have no power or authority whatsoever to bind or commit Quad, other than pursuant to a power of attorney or other written authority granted by Quad; and

8.1.2 be subject to the restrictions set out or referred to in this Agreement.

8.2 The LLP reserves the right to request specific approval by Quad before taking any action whether or not such action constitutes part of the Services and shall not be in breach of this Agreement if it requests such approval but such approval is not or has not been granted and it does not therefore take the action for which approval was requested.

> 8.3 Quad shall have the right at any time while this Agreement subsists to serve notice on the LLP prescribing limitations on the duties, powers, authorities and discretions exercisable by the LLP hereunder and the time at which such limitations shall take effect.
>
> 8.4 The LLP shall use all reasonable endeavours to avoid doing anything which might prejudice or bring into disrepute in any manner the business or reputation of Quad or any of its directors.
>
> 8.5 The LLP shall allow Quad, upon demand from any director of Quad, immediate access to any Information requested."

"Information" was defined to mean "such data, records, files or information in the possession of the LLP in relation to the Clients and the Services".

30. Clause 9 contained provisions relating to finance. Clause 9.1 provided for the LLP's remuneration:

> "In consideration of the provision of the Services by the LLP to Quad, the LLP shall on the last working day of each month invoice Quad in the sum of 57% of the aggregate of the amounts Quad has invoiced to the Clients and received payment for during each respective month for the Services … together with any Commissions received by Quad for that month to the extent that the Services were carried out on or after 1st April 2007 ('the Administration Fees'). For the avoidance of doubt the amounts referred to above shall include payments and Commissions received in respect of QFC matters. …"

(This arrangement reflected the fact that it was envisaged that the Clients would contract directly with Quad, not with the LLP; therefore, as a matter of form, the LLP would seek payment from Quad. The formal position was reversed under the Introducer's Agreement in respect of regulated business: the Clients there contracted with the LLP, which accounted to QFC, and subsequently to New Quad, for the relevant percentage of fees.) Clause 9.8 made provision for the advance of set-up costs by Old Quad to the LLP:

> "The LLP shall invoice Quad in respect of set up fees in the sum of £250,000 within 28 days of the date of this Agreement. Quad shall be entitled to a reduction of the amounts invoiced in accordance with clause 9.1 above to such amount as equates to the set up fees invoiced to it by the LLP. This reduction shall be effected by the LLP declining to invoice and waiving any future entitlement to invoice in respect of any period after 1st April 2009 which reduction and waiver shall have effect until such time as the full reduction has taken effect. In the event of this Agreement being terminated prior to the full reduction being achieved, then the difference between any reduction achieved and the amount

> invoiced in respect of set up fees shall become immediately due and payable from the LLP to Quad."

31. Clause 15 contained extensive provisions regarding the term and termination of the Services Agreement. Clause 15.1 provided that either party might terminate the agreement by written notice in certain specified events, which concerned the insolvency of the other party. Clause 15.2 provided that Old Quad might terminate the agreement if the LLP committed a material breach of the agreement (and, if the breach were remediable, failed to remedy it within 30 days). Clause 15.3 gave to each party the right to terminate the agreement on three months' written notice; however, clause 15.4 provided that no such notice could be effective to terminate the agreement before the expiry of 99 years from the Effective Date: that is, before 6 April 2106. Clause 15.5 gave to Old Quad the right to terminate the agreement by three months' notice in two specified circumstances, which concerned respectively the cessation of involvement of certain key personnel in the LLP and the fall of Old Quad's income under the agreement below specified levels. The effect of clause 15 as a whole was that the LLP could only bring the agreement to an end on the occurrence of one of the events indicating Old Quad's insolvency; though the Services Agreement did not purport to derogate from the LLP's rights under the general law to terminate for a repudiatory breach of contract by Quad.

32. Schedule 9, headed "Exit Plan and Service transfer arrangements", contained detailed provisions, unnecessary to set out here, but the purpose of which was described in paragraph 2.1:

> "The LLP is required to ensure the orderly transition of the Services from the LLP to Quad or any Replacement Provider in the event of any termination (including partial termination) or expiry of this agreement. This Schedule sets out the principles of the exit and service transition arrangements which are intended to achieve this and upon which the Exit Plan shall be based."

The "Exit Plan" was required to facilitate the transition of the Services from the LLP to the Replacement Provider (if Old Quad outsourced them to such a third party) or to Old Quad itself (if it decided to insource them).

33. The following further clauses of the Services Agreement are worth noting:

> "18. The LLP and Quad are not partners with each other and neither the terms of this Agreement nor the fact that Quad and the LLP or anybody affiliated to the LLP may have joint interests in any one or more investments shall be construed so as to make them partners of each other or impose any liability as such on either of them."

> "20.1 The LLP may not assign, sub-contract, novate or otherwise dispose of any or all of its rights and obligations under this Agreement without the prior written consent of Quad other than in accordance with this Agreement.

> 20.2 Quad may assign, novate or otherwise dispose of any or all of its rights and obligations under this Agreement to any third party of its choice without consent."

34. Clause 17 contains an "entire agreement" provision:

> "17.1 This Agreement and the documents referred to in it constitute the entire agreement between the parties and supersedes all prior arrangements, written or oral with respect thereto. All other terms and conditions, expressed or implied by statute or otherwise, are excluded to the fullest extent permitted by law.
>
> …
>
> 17.3 If any of the provisions of this Agreement are held by any competent authority to be invalid or unenforceable in whole or in part, the validity of the other provisions of this Agreement and the reminder [scil. remainder] of the provisions in question shall not be affected."

The IAR Agreement

35. Very little reference was made at trial to the IAR Agreement and I shall deal with it only briefly. In general terms, the IAR Agreement mirrored the Services Agreement, subject only to modifications necessitated by the fact that the clients to whom LLP was to provide services were required to be LLP's own clients rather than those of the counterparty. QFC was obliged to introduce its existing clients to LLP, as well as any prospective clients that approached it, with the intention that LLP would provide them with investment advice and insurance mediation services ("the Relevant Services"). QFC was also required to procure the transfer to LLP of all its commission accounts and agencies with Product Providers. The contracts of employment of QFC's employees were to be transferred to LLP. QFC in turn was required to provide the Relevant Services to the clients; provisions regarding the standard to which the Relevant Services were to be provided corresponded to those in clause 7 of the Services Agreement, and LLP was to pay a fixed proportion of the fee income derived from each client—representing the profit for the services—to QFC. Upon termination of the IAR Agreement, all clients were to revert back to QFC or, at the discretion of QFC, were to be transferred to an alternative service provider. In substance, accordingly, the arrangement under the IAR Agreement in respect of regulated business was identical to that under the Services Agreement in respect of unregulated business; the only significant difference being that, for regulatory reasons, the clients under the former had actually to be in contractual relationship with LLP. As I have said, the IAR Agreement was subsequently novated between Quad and LLP. In what follows, I shall generally refer only to the Services Agreement.

The nature of the relationship between Quad and LLP

36. The relationship between Quad and LLP is contractual. Quad says that it is also such as to impose on LLP fiduciary duties to Quad and that therefore, in all matters relating to Quad's business, LLP must be taken to have acted for Quad's benefit rather than its

own, unless it can prove that Quad gave its free and informed consent to LLP to act in its own interests. The argument is directed to the basis on which LLP uses the Mark and applied for and obtained registration of the trade marks; those matters are discussed below. LLP denies that its relationship with Quad is fiduciary.

37. The existence of a contractual relationship, far from being inimical to the existence of a fiduciary relationship, is commonly its basis. In *Henderson v Merrett Syndicates Ltd* [1995] 2 AC 145, 206, Lord Browne-Wilkinson observed *obiter*:

> "… the extent and nature of the fiduciary duties owed in any particular case fall to be determined by reference to any underlying contractual relationship between the parties. Thus, in the case of an agent employed under a contract, the scope of his fiduciary duties is determined by the terms of the underlying contract. Although an agent is, in the absence of contractual provision, in breach of his fiduciary duties if he acts for another who is in competition with his principal, if the contract under which he is acting authorises him so to do, the normal fiduciary duties are modified accordingly: see *Kelly v. Cooper* [1993] A.C. 205, and the cases there cited. The existence of a contract does not exclude the co-existence of concurrent fiduciary duties (indeed, the contract may well be their source); but the contract can and does modify the extent and nature of the general duty that would otherwise arise."

Similarly, in *Hospital Products Ltd v United States Surgical Corpn* (1984) 156 CLR 41, 97, Mason J said:

> "That contractual and fiduciary relationships may co-exist between the same parties has never been doubted. Indeed, the existence of a basic contractual relationship has in many situations provided a foundation for the erection of a fiduciary relationship. In these situations it is the contractual foundation which is all important because it is the contract that regulates the basic rights and liabilities of the parties. The fiduciary relationship, if it is to exist at all, must accommodate itself to the terms of the contract so that it is consistent with, and conforms to, them. The fiduciary relationship cannot be superimposed upon the contract in such a way as to alter the operation which the contract was intended to have according to its true construction."

38. The best-known statement of the nature of fiduciary duties in the English cases is that of Millett LJ in *Bristol and West Building Society v Mothew* [1998] Ch 1, 16-18; at 18A-C he said:

> "A fiduciary is someone who has undertaken to act for or on behalf of another in a particular matter in circumstances which give rise to a relationship of trust and confidence. The distinguishing obligation of a fiduciary is the obligation of loyalty. The principal is entitled to the single-minded loyalty of

> his fiduciary. This core liability has several facets. A fiduciary must act in good faith; he must not make a profit out of his trust; he must not place himself in a position where his duty and his interest may conflict; he may not act for his own benefit or the benefit of a third person without the informed consent of his principal. This is not intended to be an exhaustive list, but it is sufficient to indicate the nature of fiduciary obligations. They are the defining characteristics of the fiduciary. As Dr. Finn pointed out in his classic work *Fiduciary Obligations* (1977), p. 2, he is not subject to fiduciary obligations because he is a fiduciary; it is because he is subject to them that he is a fiduciary."

39. More recently, in *Al Nehayan v Kent* [2018] EWHC 333 (Comm), [2018] 1 CLC 216, Leggatt J said at [159]:

> "… fiduciary duties typically arise where one person undertakes and is entrusted with authority to manage the property or affairs of another and to make discretionary decisions on behalf of that person. … The essential idea is that a person in such a position is not permitted to use their position for their own private advantage but is required to act unselfishly in what they perceive to be the best interests of their principal. This is the core of the obligation of loyalty which Millett LJ in the *Mothew* case [1998] Ch 1 at 18, described as the 'distinguishing obligation of a fiduciary'. Loyalty in this context means being guided solely by the interests of the principal and not by any consideration of the fiduciary's own interests. To promote such decision-making, fiduciaries are required to act openly and honestly and must not (without the informed consent of their principal) place themselves in a position where their own interests or their duty to another party may conflict with their duty to pursue the interests of their principal. They are also liable to account for any profit obtained for themselves as a result of their position."

40. Although there are paradigm cases, fiduciary relationships are not monolithic. In *Wood v Commercial First Business Ltd* [2021] EWCA Civ 471, [2022] Ch 123, David Richards LJ said:

> "36. … 'Fiduciary relationship' is a protean term, capable of covering a wide range of different rights and obligations. It is worth quoting from … P D Finn, *Fiduciary Obligations*, 1st ed (1977), para 2 …:
>
> > 'On the modern usage of 'fiduciary', Sealy concluded that it is not definitive of a single class of relationships to which fixed rules and principles apply. Rather, its use has generally been descriptive, providing a veil behind which individual rules and principles have been developed. This conclusion—an incontestable one—is the starting point of this work. In the following pages it will be suggested that

> it is meaningless to talk of fiduciary relationships as such. Once one looks to the rules and principles which actually have been evolved, it quickly becomes apparent that it is pointless to describe a person—or for that matter a power—as being fiduciary unless at the same time it is said for the purposes of which particular rules and principles that description is being used. These rules are everything. The description 'fiduciary', nothing. It has gone much the same way as did the general descriptive term 'trust' one hundred and fifty years ago.'
>
> 37. The term 'fiduciary relationship' is most commonly used with respect to well-established categories, such as trustee and beneficiary, director or manager and company, employer and employee, and principal and agent where the agent is authorised to act for and exercise powers of the principal. Subject to agreement to the contrary, those are relationships to which what might be called the full panoply of fiduciary obligations apply. …"

41. In the present case, Quad contends that the specific nature of the fiduciary relationship is that of principal and agent. Article 1 in *Bowstead & Reynolds on Agency* (22nd edition) begins:

> "(1) Agency is the fiduciary relationship which exists between two persons, one of whom expressly or impliedly manifests assent that the other should act on his behalf so as to affect his legal relations with third parties, and the other of whom similarly manifests assent so to act or so acts pursuant to the manifestation. The one on whose behalf the act or acts are to be done is called the principal. The one who is to act is called the agent. Any person other than the principal and the agent may be referred to as a third party.
>
> (2) In respect of the acts to which the principal so assents, the agent is said to have authority to act; and this authority constitutes a power to affect the principal's legal relations with third parties."

42. In *Pengelly v Business Mortgage Finance 4 plc* [2020] EWHC 2002 (Ch), [2021] 1 All ER (Comm) 119, Marcus Smith J considered the questions (i) of the true nature of agency and (ii) whether all agents were fiduciaries. In respect of the former question, he rejected the submission that the reference in *Bowstead & Reynolds* to "a power to affect the principal's legal relations with third parties" meant that "'true' agency was limited to those relationships where the agent was empowered to affect the principal's legal relations by causing a contractual relationship to arise between the principal and the third party":

> "32. Whilst, clearly, this is an instance of agency, I do not accept that the relationship of agency is limited to this case. An agent can affect his legal relations with third parties in many cases

> where the agent has no power to conclude a contract on behalf of his principal. Thus, and purely by way of example, a solicitor acting for a vendor in a house purchase, has authority to receive and give good discharge for the purchase monies received, but does not have authority to conclude the sale itself; equally, an insurance broker may have no power to conclude the contract of insurance, but may well be the 'agent to know' for the purposes of disclosure and – if guilty of a non-disclosure or misrepresentation – may very well render the contract of insurance voidable even though the contract itself was concluded by the principal. This is because it is perfectly possible for an agent to affect the principal's legal relations with third parties in ways other than the conclusion of a contract.
>
> 33. Clearly the label cannot drive the legal consequence, and the term 'agent' is used frequently and in a variety of contexts. The fact that a person adopts or is given the label 'agent' – or, conversely, seeks to avoid it – cannot be determinative. That is why is it necessary to focus on the functions that the agent is performing. But it is important not to be too prescriptive about what functions qualify a person as being an agent with fiduciary duties and what functions do not (even though the term 'agent' may be used)."

With reference to the second question, Marcus Smith J continued (footnotes omitted, here and above):

> "34. For that reason, it is dangerous to seek to equate the term agent with the status of a fiduciary. If the concept of agency is a wide-ranging and indeterminate one, then to say that all agents are fiduciaries is likely to be wrong. This point was made by the Court of Appeal in *Eze v Conway* [2019] EWCA Civ 88:
>
> (1) In that case, an extremely broad concept of agency was contended for. Asplin LJ made clear that the enquiry was inevitably extremely fact sensitive. The facts and circumstances needed to be carefully examined to see whether in fact a purported agent – and even a confidential agent – was in a fiduciary relationship to his or her principal.
>
> (2) There is no absolute correlation between 'agency' and fiduciary duties. A person not an agent might be a fiduciary; and an agent would not necessarily be a fiduciary. Asplin LJ stated:
>
>> 'It is clear from the authorities that in order for the law of bribery and secret commissions to be engaged there must be a relationship of trust and confidence between the recipient of the benefit or the promise of a benefit and his principal (used in the loosest of senses) which puts the recipient in a real position of potential conflict between his interest and his duty. Not all agents will be in such a

> position and the relationship may arise where there is no agency at all. It is not helpful, therefore, to consider what might be considered to be the paradigm of any particular type of agent, whether an 'introducing agent' or otherwise. It all depends on the nature of the individual's duties and which of those duties is engaged in the precise circumstances under consideration. Although the relationship of principal and agent is a fiduciary one, not every person described as an 'agent' is the subject of fiduciary duties and a person described as an agent may owe fiduciary duties in relation to some of his activities and not others …'"

43. In my judgment, Quad is correct to contend that LLP was and is in a fiduciary relationship to it.

1) It is to be noted at the outset that the fiduciary relationship alleged by Quad relates only to Quad's business. It is not suggested that LLP is a fiduciary in respect of its own business.

2) The critical point, in my view, is that the effect of the Services Agreement is, during its subsistence, to entrust the entire operation of Quad's business—and the entire ability to carry it on—to LLP and to grant to LLP all the authority and powers necessary to enable it to carry on that business. By reason of the arrangement embodied in the Services Agreement, Quad, like Old Quad before it, has had no staff, and all of the assets with which it could carry on its business have been made available to LLP; and every aspect of its operations has been carried on by LLP on its behalf and will be so carried on until the termination or expiration of the Services Agreement. In my judgment, Ms Himsworth and Mr Adams are correct to submit that this relationship necessarily entails that, in respect of the legacy business, LLP owes fiduciary duties to Quad.

3) (In respect of the legacy business, it probably does not much matter whether the definition of "Assets" is wide enough to include Quad's goodwill. The parties seemed agreed at trial that it did not extend to goodwill. My view, as a matter of construction and therefore of law, is to the contrary: Quad's goodwill was an asset of Quad and must have been used "for any reason relating to the business of Quad" prior to the date of the Services Agreement; it therefore falls within the definition. It is a different question whether or to what extent the goodwill would be useful to LLP in carrying on the legacy business. However, LLP was certainly capable of damaging Quad's goodwill, as was recognised in clause 8.4.)

4) I attach no importance to the fact that under the Services Agreement the "Services" are said to be provided to Quad rather than to third parties. It is, again, the substance that matters; the point taken by LLP in this regard seems to me to be semantic. The nature of the Services provided to Quad was the carrying on of Quad's business with third parties. The Services Agreement meant that, in its relations with third parties, Quad had no hands or eyes or brains other than those of LLP. This is well indicated by the fact that clause 2.1, which states that the Services are to be provided "to Quad", provides that "Quad

confers upon and grants to the LLP such power and authority as is necessary or desirable for providing the Services." The definition of "Services", and the definition of "Assets", which incorporates it, shows that the work comprised in the Services is work provided to the legacy clients.

5) Similarly, the fact that the Services Agreement does not state that the relationship between the parties was one of agency, or fiduciary in any other respect, is in my view immaterial. What matters is the substance of the relationship, not the labels attached to it.

6) Again, I do not consider that the proviso in clause 8.1.1 of the Services Agreement militates strongly against the existence of an agency relationship in particular or a fiduciary relationship in general. Its effect is that LLP does not, by reason of the Services Agreement alone, have authority to make contracts on behalf of Quad. However, as *Pengelly* shows, such authority is not a prerequisite of agency. LLP certainly does have the power to affect Quad's legal relations with third parties, because it performs all of Quad's outward-facing functions. The Recital to the Services Agreement captures this by recording LLP's acceptance of its appointment "to carry out certain responsibilities for and on behalf of Quad in relation to its business … (the Services …)". The very real nature of LLP's power to affect Quad's legal relations with third parties is also reflected in clause 8.3, which enables Quad to limit LLP's "duties, powers, authorities and discretions" exercisable under the Services Agreement; though subject to that provision and to its obligations under clause 7 it was entirely within LLP's discretion how it exercised its powers and authority under the Services Agreement.

7) On behalf of LLP it is submitted that this power is simply an incidence of sub-contracting by Quad to LLP. Such an analysis fails to do justice to the nature of the arrangement embodied in the Services Agreement, whereby during the subsistence of the Services Agreement the entire operations of an existing business, together with the means by which that business was carried on, were handed over to LLP.

8) The "entire agreement" provision in clause 17 serves only to define the contractual arrangements. It does not preclude the existence of a fiduciary relationship arising out of the parties' contract.

Rights to the goodwill associated with the Mark

44. The second, third and fourth issues identified in paragraph 21 above may be taken together as they concern the use of the unregistered Mark.

45. Quad's case is that it merely granted LLP a revocable permission to use the QUANTUM ADVISORY brand for so long as the two businesses are associated and that LLP would only be entitled to use the brand after the association ended if it had (as it does not) Quad's full, free and informed consent. LLP's case appears clearly in paragraph 7 of the defence:

> "[T]he aim [of the reorganisation of the business of the legacy companies] was to permit the LLP to grow a new business ('the

> LLP Business') using the staff, assets, mark QUANTUM ADVISORY ('the Mark') (in conjunction with new staff, including two equity partners, and assets that were intended to be—and were—brought in) and Domain Name employed and used by Old Quad, while ringfencing the goodwill of Old Quad's existing business ('the Legacy Business'). The essence of the reorganisation was therefore to permit LLP to develop a separate goodwill attaching to the Mark which would exist concurrently with the Old Quad's goodwill attaching to the Mark. In that regard it is to be noted that the Services Agreement does not contain any provisions dealing with ownership of goodwill and in particular does not contain any term providing that goodwill accruing to LLP should pass by contract to Old Quad. Following the reorganization LLP did develop the separate LLP Business and goodwill under the Mark. The annual turnover of the LLP Business (excluding any turnover associated with the Legacy Business) is now approximately £7m."

The alleged consequence of Quad's case would be that, once the association had ended, LLP would no longer be able to trade by reference to the brand. The alleged consequence of LLP's case would be that, once the association had ended, both entities would be entitled to trade by reference to the brand, each by reference to its respective business. It seems to me that consideration of some basic principles and a few significant passages in the cases provides a clear answer to the issue.

Legal framework

46. Goodwill is a form of property. In *The Commissioners of Inland Revenue v Muller & Co's Margarine Limited* [1901] AC 217 the House of Lords was concerned with the question whether the goodwill of a business situated entirely outside the United Kingdom was "property locally situate out of the United Kingdom" for the purpose of section 59 of the Stamp Act 1891. Regarding the nature of goodwill, Lord Macnaghten said at 223-4:

> "It is very difficult, as it seems to me, to say that goodwill is not property. Goodwill is bought and sold every day. It may be acquired, I think, in any of the different ways in which property is usually acquired. When a man has got it he may keep it as his own. He may vindicate his exclusive right to it if necessary by process of law. He may dispose of it if he will—of course under the conditions attaching to property of that nature.
>
> … What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to

> the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may preponderate here and another element there. To analyze goodwill and split it up into its component parts, to pare it down as the Commissioners desire to do until nothing is left but a dry residuum ingrained in the actual place where the business is carried on while everything else is in the air, seems to me to be as useful for practical purposes as it would be to resolve the human body into the various substances of which it is said to be composed. The goodwill of a business is one whole, and in a case like this it must be dealt with as such.
>
> For my part, I think that if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill perishes with it, though elements remain which may perhaps be gathered up and be revived again."

(Consistently with this passage, see also *per* Lord Davey at 226, Lord James of Hereford at 228, Lord Brampton at 230, and Lord Lindley at 234-5. The Earl of Halsbury LC, dissenting, nevertheless implicitly accepted that goodwill was property.)

47. The protection of proprietary rights in goodwill is a matter for the common law cause of action for passing off. In *Reckitt & Colman Products Ltd v Borden Inc (No. 3)* [1990] 1 WLR 491, at 499, Lord Oliver of Aylmerton set out the elements that a claimant must prove in order to establish a cause of action for passing off:

> "First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Whether the public is aware of the plaintiff's identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff. … Thirdly, he must demonstrate that he suffers or … that he is likely to suffer, damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff."'

48. However, in *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697, Millet LJ observed at 711:

> "Passing-off is a wrongful invasion of a right of property vested in the plaintiff, but the property which is protected by an action of passing-off is not the plaintiff's proprietary right in the name or get-up which the defendant has misappropriated but the goodwill and reputation of his business which is likely to be harmed by the defendant's misrepresentation."

49. The same point was made by the Court of Appeal in *Dawnay Day & Co Ltd v Cantor Fitzgerald International* [2000] RPC 669. The case featured prominently in the arguments on behalf of Quantum—Ms Himsworth told me that it was the closest case to the present that she had been able to find—and I shall summarise the essential facts. The case was a passing-off action. The claimants were companies in the Dawnay Day Group of companies. Dawnay Day Securities Limited (DDSL), which was established pursuant to a joint venture agreement between the first claimant and three individuals, had been a member of the Group; the joint venture agreement provided that the parties could make it known that DDSL was part of the Group. After a falling out among the parties to the joint venture agreement had resulted in the management of DDSL becoming deadlocked, DDSL went into administration. The administrator sold to the defendant DDSL's business, including the goodwill of the business, and the right of the defendant to represent itself as carrying on the business in succession to DDSL and the right to use the business name of Dawnay Day Securities "so far as it is lawfully able to do so". The trial judge found that there was an agreement between the Dawnay Day Group and the three individuals that DDSL should be permitted to use the name Dawnay Day but only for so long as it remained part of the Dawnay Day Group; he held that the continued use of the Dawnay Day name was a material misrepresentation by the defendant, and that the Dawnay Day Group was entitled to hold out a new Group company, with the Dawnay Day name, as carrying on the former business of DDSL. The Court of Appeal dismissed the defendant's appeal.

50. At 701, Sir Richard Scott V-C, with whose judgment Henry and Pill LJJ agreed, emphasised "that, in English law, there is no right of property in an unregistered trademark" (such as the Mark in this case); this is why the action for passing off is based on the harm to goodwill liable to be occasioned by a misrepresentation involving the use of the trading name or get-up. It is for that reason that Lloyd J, at first instance in the *Dawnay Day* case, having discussed at length the issues concerning the scope of the permission given by the plaintiff to use the "Dawnay Day" trading name, said at [57]: "For the plaintiffs to prove their point about the right to use the name does not of itself prove a case in passing-off; it merely removes one defence to it." Similarly, on appeal, the Vice-Chancellor made clear that there could be no action in passing off to protect an unregistered mark in the absence of some business or goodwill in connection with which the mark was being used; and, after citing the passage set out above from the *Harrods* case, he continued at 701-2:

> "'Dawnay Day' is not a registered mark. So there is no right of property in the name. There are rights of property only in the goodwill associated with the name. Nonetheless, the right to use an unregistered mark can be, and often is, conferred as a contractual right. Franchising agreements are an example in

> point. The franchisor grants to the franchisee the right to sell the franchisor's goods and to use for that purpose the name of the franchisor as, or as part of, the franchisee's trading style. The contract is likely to prohibit the use by the erstwhile franchisee of the franchisor's trading style after the franchise has come to an end. The prohibition may be express or it may be implied. But, contract apart, the ex-franchisee's ability to continue to use the trading style will depend upon whether to do so would constitute passing-off. The use of the style while the franchise lasted may have had the result that the style has ceased to be sufficiently distinctive of the business of the franchisor. It may, indeed, have become distinctive of the business of the franchisee. These considerations are dealt with in the dissenting judgment of Dixon J in the High Court of Australia in *Need v. J. H. Coles Proprietary Ltd* (1931) 46 C.L.R. 470 and in the Privy Council judgment [1934] A.C. 82 which allowed an appeal from the High Court. In the Privy Council Lord Wright said this:
>
>> '... all the right that the respondent ever had in regard to the user of the appellants' trade names was a revocable licence to use these names so long as the business arrangement continued between the appellant and the respondent ...' (page 87)."

51. It is relevant to see how these principles worked through into the analysis of the issues in the *Dawnay Day* case itself. At 703 the Vice-Chancellor said:

> "So long as DDSL was carrying on its business as 'part of the Dawnay Day Group', an attempt by any or all of the other Dawnay Day companies to restrain DDSL from trading as Dawnay Day Securities would, in my opinion, have failed. It would have failed because DDSL could have relied on its implied licence to trade as 'Dawnay Day Securities'. It would have failed, also, because DDSL in trading under that style would not have been misrepresenting anything. … But once DDSL has ceased to be 'part of the Dawnay Day Group' it could not longer [sic] rely on the implied licence. It would be vulnerable to a passing-off action if the ingredients of passing-off could be established. Its position would, in my opinion, be on all fours with that of a franchisee whose franchise had come to an end."

In short, the position was as follows: the plaintiffs had given to DDSL an implied licence to use the "Dawnay Day" trading name so long as DDSL remained part of the Dawnay Day Group; while that licence subsisted DDSL's use of the Dawnay Day name could not ground an action for passing off—first, because it was licensed, and second, because it was not a misrepresentation; but once DDSL ceased to be part of the Group and the licence accordingly terminated, DDSL's continued use of the Dawnay Day name would render DDSL liable to a claim for passing off *provided* that the ingredients of that tort could be established.

52. One further point in the judgment of Sir Richard Scott is of some relevance to this case. Although he held that Lloyd J had been entitled to find as a fact that there was an oral agreement for the use of the Dawnay Day name but only for so long as DDSL was part of the Group, he preferred to analyse the matter in terms of construction of the joint venture agreement. At 702-3 he said:

> "First, the Joint Venture Agreement of January 31, 1992 ought not, in my opinion, to have provisions added to it in order to accommodate various points on which agreement may have been reached in the course of the negotiations but which the parties did not choose to incorporate into the final agreement. But, secondly, the Agreement must be construed by reference to the intentions of the parties objectively ascertained. The identification of what, if any, terms should be implied into the Agreement as to the use by the new company of the 'Dawnay Day' name is part of the process of construction of the Agreement."

Discussion

53. In my judgment, the answer to this particular issue does not lie in the construction of the Services Agreement. That agreement regulates LLP's conduct of the legacy business; it contains only a passing allusion in clause 7.5 to LLP's own business and nothing that refers to LLP's use of the Mark for its own business, although that use was clearly permitted. Ms Himsworth sought to rely on clause 8.4 of the Services Agreement, but I do not think that assists her on this point. First, the obligation in that clause subsists during the subsistence of the Services Agreement, which on any view is a period in which LLP's use of the Mark is permitted. Second, the only relevant prejudice to Quad could be by way of passing off, which is not currently in issue and could only become so after termination of the Services Agreement; the prior use of the Mark for LLP's own business could not fall within clause 8.4 as being in some sense preparatory to subsequent passing off, because it is licensed.

54. With reference to the final sentence of clause 7.2, I ought perhaps to deal with a potential argument not advanced on behalf of Quad. If (as I think: see paragraph 43 above) Quad's goodwill was made available for use by LLP in providing the Services, the proviso terminating consent to such use upon the termination of the Services Agreement does not provide an answer to the instant question. As explained above, the Mark is not property; therefore it cannot be an asset. The asset is the goodwill in the legacy business. The question for determination concerns the goodwill in LLP's new business insofar as it is associated with the use of the Mark. On this the Services Agreement is, in my view, silent.

55. Accordingly, the scope of the licence to LLP to use the Mark for its own business must be sought in the general arrangements made in 2007. A conclusion is therefore dependent on a finding of fact, including any inference from what was said and done at the time, in the context in which it was said and done. Evidence of the discussions that led to the making of the Services Agreement is admissible precisely because it is not used as an aid to construction of a written agreement but rather in order to establish the terms of a licence operating outside that agreement.

56. Evidence concerning the use of the Mark came principally from two persons who were most closely involved in the discussions in 2007: Mr Baldwin and Mr Reid-Jones. Unsurprisingly, after some fifteen years the evidence was imprecise as to specific conversations in which identifiable words were spoken constitutive of a relevant agreement. Nor do any contemporaneous documents record an agreement as such. The important matter is, of course, not that of the corporate name but that of the trading name; however, in practical terms it is impossible to draw too rigid a line between them, as one of the main features of the corporate name was its incorporation of the name of the brand.

57. By way of background to the discussions that led to the reorganisation and the Services Agreement, it is useful to note the interrelationships of the main persons and the relevant entities.

- *Old Quad*: At the date of the Services Agreement the directors of Old Quad were Mr Coombes, Mr Baldwin, Mr Deidun, Mr Powis and Mr Reid-Jones. At the same date the shareholders in Old Quad were Mr Coombes, Mr Baldwin, Mr Deidun, Mr Reid-Jones, Mrs Emma Reid-Jones, Ms Betty Binysh (Mr Coombes' wife) and Mrs Jane Baldwin. (Ms Binysh and Mrs Baldwin held only non-voting shares.)

- *LLP:* At the date of the Services Agreement the members of LLP were Mr Reid-Jones, Mr Davies, Mr Vincent and Mr Deidun (all of whom had been members since incorporation on 12 March 2007) and Rhidian Williams and Karen Kendall (who became members on 1 June 2007, having formerly worked for Buck Consultants). It had always been intended that Mr Baldwin would become a member of the LLP but for tax reasons he did not actually do so until 1 January 2008.

- *Quad:* At the date of the Services Agreement the directors of Quad (then called Pascal Company Solutions Limited) were Mr Coombes, Mr Baldwin, Mr Reid-Jones, Mr Deidun, Mr Davies and Mr Powis. Mr Baldwin, Mr Reid-Jones, Mr Deidun and Mr Powis had been appointed as directors on 31 October 2007, the day before the Services Agreement was executed.

58. It is probable that, in the early stages, little thought was given to LLP's legal name; insofar as thought was given to that question, there may well have been an assumption by some of those involved that, as the new entity would be trading in the name Quantum Advisory, it would be called Quantum Advisory LLP. However, by the end of February 2007 it was understood that the new entity could not have that name, because Old Quad already had the Quantum Advisory name. Further discussions ensued. Although the directors of Old Quad had no objection to LLP's use of Quantum Advisory as a trading name (see further below), they would not agree to a suggestion that Old Quad should give up the Quantum Advisory name and that LLP would take the name Quantum Advisory LLP. The position was put as follows by Mr Baldwin in one of his witness statements in these proceedings:

> "There were all sorts of meetings at the time. It was about the Services Agreement and it would have been around what name we put in the Service Agreement with the outsourcing party. It was all amicable discussions, but it was, 'Well, no, you can't

> have Quantum Advisory Ltd because we might want to take it back if it doesn't work.' I don't remember the specific meeting, but I do remember the conversation and that was certainly the reason we would not allow to change the businesses (sic) name to Quantum Advisory but had no objection to them trading as 'Quantum Advisory'."

59. Although as a matter of strict logic the concern thus expressed is consistent with either party's case on the scope of the licence, Mr Baldwin's evidence on this point tends to indicate that the perceived importance of the corporate name lay at least in large part in its connection with the trading name and that Old Quad was concerned (if one may put it thus, somewhat colloquially) with ownership of that trading name.

60. From LLP's perspective, the position was set out as follows in an email dated 21 March 2007 written by Mr Reid-Jones, who, though a director of Old Quad, had only a small shareholding in it and took the lead in negotiations on behalf of LLP:

> "With my LLP hat on, I think we have a bit of a problem here now.
>
> Quantum Advisory Limited is not happy to give the LLP the name 'Quantum Advisory' for a mixture of emotional and financial reasons.
>
> I suggest that we may want to consider naming the LLP something completely different from 'Quantum', as should Quantum move from the LLP in the future there may well be legal implications for the name and its usage, whilst the LLP will have run up a number of years' worth of marketing that name for it to fall as a windfall benefit to the Pascal [i.e. Quad] shareholders and then have to change their name.
>
> This would be clearly unfair, so we may want to let Quantum Advisory Limited keep the name and so be able to use that brand *n* years from now should they separate from the LLP.
>
> This would have some administrative complexities, but does allow us to start anew and prevent freeloading at the expense of the LLP."

61. What that email shows is that in March 2007 Mr Reid-Jones was acutely aware of the very problem that LLP now confronts, namely the risk that it would not be able to continue using the Mark after the termination of its relationship with Quad.

62. By about the end of May 2007 it had been agreed that LLP would be called Quantum Actuarial LLP but that, notwithstanding the misgivings expressed by Mr Reid-Jones, it would use Quantum Advisory as its trading name. Mr Reid-Jones' concerns about the future loss of LLP's right to trade as Quantum Advisory (and, indeed, the loss of its entire trading infrastructure) were, as I find, addressed by reference to the term, or duration, of the Services Agreement. The matter was put in the following terms in the witness statement dated 30 December 2019 made by Mr Baldwin in the earlier

proceedings, at a time when the current issues concerning goodwill and branding had not arisen:

> "The LLP was troubled about the impact on its business and its ability to plan which the loss of the services agreement would bring about. Andrew had circulated an email about the LLP not having Quantum branding due to the implications of losing the Services Agreement at the end of the 10 year term. [This email is set out below.] The Quantum Advisory brand was recognised as being important but [Old Quad] would not agree to relinquish the name as it wished to retain it given the potential need to move the business away from the LLP at the end of the term. As a result, the LLP decided to call itself Quantum Actuarial LLP. Subsequently, in May 2007 following further discussions I had with the LLP partners, it was agreed that the LLP would use the trading name of Quantum Advisory with a note in the letter footer that Quantum Advisory is a trading name of Quantum Actuarial LLP. This was in anticipation that the contract would be retained at the end of the 10 year term but there was clearly an acknowledged risk that the trading name could be lost. A key factor in the LLP's marketing is the longstanding servicing of various of legacy clients who provide website testimonials and references for the LLP …
>
> I recall an informal meeting between myself, Andrew [Reid-Jones] (and I believe Dave [Deidun]), at which we discussed the problems (as well as diversion) of renegotiating terms in 10 years' time … and the disruption and damage that would ensue to the LLP if it lost the business and brand. There were also concerns that the potential loss of business in year 10 would make it very difficult to plan in advance for future facilities and staff planning. I do not believe that we came to any conclusions at that meeting other than that it needed to be addressed. Following that meeting, Andrew asked to meet with Martin [Coombes] to review progress on the services agreement. … The extension of the term to 99 years was proposed by Martin as a way of dealing with the LLP's issues and this was agreed by Andrew on behalf of the LLP at the meeting referred to above on 15 August 2007. I see from Martin's email to the lawyers following that meeting that the extension of the Initial Term would reduce the profile of the exit/transition provisions. It killed off the LLP's concern about losing the contract other than by its fault."

63. Mr Baldwin was cross-examined about that evidence (transcript, day 1, pages 104-111). The first two points put to him concerned the supposed unfairness of requiring LLP to change its trading name after the termination of the Services Agreement and the lack of documentation reflecting such a requirement:

> "Q. You became a partner, didn't you, of LLP and worked there for many years, building up what you, as we saw

from your statement in the first proceedings, considered to be a separate goodwill for that company?

A. Yes.

Q. Wouldn't you think that it would be dreadfully unfair for your work building up that separate goodwill essentially to go to people who hadn't had a hand in building it up in the event of a termination and a reversion?

A. As I always understood it, if there was a termination, the LLP would have to rename itself as something else and would then transfer its clients to whatever that other thing was. … If you go back to the 10-year situation, let 's say we had separated at the end of ten years. We couldn't have two companies in Quantum operating as Quantum Advisory doing the same work. There would have to be one company that changed its name.

Q. Why is that not said in any of the documents at the time?

A. Well, the document didn't really deal with the name, did it? It was dealing with the management fee.

Q. Well, if it was such a concern and people were discussing the name, are you honestly saying no one would say, 'You will stop using the name in the contract', if that had been a consideration at the time?

A. Well, isn't it just common sense? You couldn't have two Quantum Advisories operating in the same …

…

Q. And that [reversion of business to Quad] was unacceptable to the new business because they couldn't have a situation where they would have to stop.

A. Well, it wouldn't have worked very well for either party, to be honest. I think the 99-year term works quite well."

64. Mr Baldwin was then challenged about the reliability of his memory of what was said in conversations in 2007, and he fairly accepted that he "[could not] remember everything as if it was yesterday." He said, though, that he could remember some things better than others, and the cross-examination did not seek to establish very precisely which things were which. Mr Baldwin was challenged on his evidence that the discussion about changing the term of the Services Agreement from 10 to 99 years related to Mr Reid-Jones' fears for the loss of the brand. He disputed the challenge and said that "lots of things" had come into the discussion; though his answers did not

specifically refer to the loss of use of the trading name. It was put to him that Mr Coombes' witness statement in the earlier proceedings did not connect Mr Reid-Jones' concerns over the term of the agreement to the loss of the trading name, and the evidence continued:

> "A. No, as I say, I think it was just always assumed it was common sense that we couldn't both trade as Quantum Advisory.
>
> Q. Well, you could. It's not comfortable both trading alongside each other, but it's possible, isn't it?
>
> A. Well, okay, possible being maybe not very sensible. We would have both, I assume, been largely Cardiff-centric. So we would have had two businesses marketing themselves in a relatively small market."

65. Finally, Mr Baldwin was challenged on Quad's supposed concerns regarding two businesses with the same trading name in the same location, on the basis that the legacy business was an inherently shrinking business. He rejected this challenge on three grounds: first, there was the so-called "Pipeline" business, relating to contracts with those who were not legacy clients when the Services Agreement was made but with whom Quad had had existing contacts; second, there were new clients within the legacy business, relating to new pension schemes of existing employers or new companies within the same groups as existing clients; third, any constraints on seeking entirely new business would fall away when the Services Agreement was terminated.

66. Mr Reid-Jones' evidence on this particular issue is found in his witness statement in these proceedings and the answers he gave in cross-examination. His witness statement said:

> "As above, it was agreed that the LLP could use (and indeed the LLP has used) the Quantum Advisory name in respect of its dealings with both its own clients and Legacy clients. The LLP has therefore traded under the Quantum Advisory name since the effective date of the Services Agreement in 2007. Separate to the Legacy clients, the LLP has bid for, and has won, bona fide LLP clients (i.e. clients that have no prior connection to Quad) under the Quantum Advisory name and as a result of the LLP's considerable marketing effort. From 2007 onwards, when the Quantum Advisory business was being marketed, it was the LLP that was driving that, and all new connections and relationships with referrers and potential clients were made with the LLP.
>
> …
>
> As with the Quantum Advisory name, when the Services Agreement was being negotiated, I do not recall any detailed discussions around the logo and branding and, in particular, what would happen in the event that the LLP rebranded. It was obvious that, during the course of a 99-year agreement, the LLP

> would, at some point, have to rebrand. As with the name, it was not agreed between the parties, or even proposed by Quad, that any logos or branding created by the LLP would belong to Quad or revert to Quad upon termination of the Services Agreement."

67. When he was cross-examined on the use of the Mark as a trading name, Mr Reid-Jones was, in my view, rather coy. In particular, he was reluctant to acknowledge that his email of 21 March 2007 had been identifying a concern about the trading name, not merely the corporate name. He did, however, ultimately accept that the concern extended to the trading name. He also accepted that branding was a matter of importance to both parties and was the subject of discussions, though he said that there were other more important matters that took up more discussion. The following exchanges took place:

> "Q. One of the reasons for the discussion of increasing the term to 99 years, or the proposal to increase it to 99 years, was your concern about the loss of the brand at the end of the term of the agreement, wasn't it?
>
> A. That was an aspect, yes.
>
> Q. So the effect of the extension to 99 years was to remove the problem for you, wasn't it?
>
> A. I don't think that's necessarily the case, because whilst the LLP doesn't have any—or has very limited—rights to terminate, I believe, Quad has more rights to terminate. So, although the agreement may well say 99 years, that's sort of really within the gift of Quad, rather than the gift of the LLP.
>
> Q. But it solves your problem about—assuming all went well, which is what everyone anticipated, correct? [A. Mm hm]—that you would have the use of Quantum Advisory for 99 years?
>
> A. With concurrent rights, yes.
>
> Q. Mr Reid-Jones, please stick to the answer to the question.
>
> The 99-year term allowed for you to trade—as long as the agreement was in place—allowed you to trade under Quantum Advisory, correct?
>
> A. Yes.
>
> …
>
> Q. You were not at any stage told that you could go off and use the brand by yourself if there was no Services Agreement?

A. I don't think anybody had those discussions, positively or negatively. I don't recall them."

68. Mr Reid-Jones was asked a series of questions concerning the website domain name and the associated email addresses (see paragraphs 5 and 15 above). He accepted that, after the termination of the Services Agreement, LLP would lose the domain name quantumadvisory.co.uk and the associated website as well as the email addresses. Then:

"Q. So why on earth do you think, given that, that Quad would have agreed anything different in relation to your trading under Quantum Advisory as a brand?

A. Because I believe that it's not hugely satisfactory, but they would have been able to carry on trading as Quantum Advisory Limited and we would be able to carry on trading as Quantum Advisory.

Q. But Quantum Advisory Limited trades as Quantum Advisory, doesn't it?

A. I believe it does, yes.

…

Q. Mr Reid-Jones, are you really suggesting that it was thought sensible that two companies doing the same thing could use the same mark, pitching to Welsh Water for the same work?

A. I think it's an issue that both parties kicked down the road.

Q. It doesn't make commercial sense, Mr Reid-Jones.

A. It does make commercial sense, if one party doesn't believe it's going to be around in 10 or 15 years' time as an organisation which goes out and touts for its own business."

69. In my judgment, the correct conclusion is that the licence granted to LLP to use the Mark was coterminous with the Services Agreement. I reach this conclusion primarily on the basis of a finding of fact that this was the express basis on which the use of the Mark was agreed in 2007, however vague and imperfect may be the recollections of what was discussed. However, even if nothing had been said about the matter, I should reach the same conclusion as a matter of the reasonable interpretation of the licence. I explain my reasoning in the following paragraphs.

70. First, nothing in Mr Baldwin's cross-examination or in the other evidence has led me to think that the evidence he gave in his witness statement in the earlier proceedings (see paragraph 62 above) is materially inaccurate. In addition to further matters mentioned below:

a) Mr Baldwin's earlier witness statement was made nearly three years before the trial in these proceedings.

b) That statement was made in circumstances where issues concerning the right to use the trading name were not in the forefront of the parties' minds—certainly not the minds of Quad—and had not assumed the importance that they now have. The evidence is relatively unlikely to be contaminated by the need to make points bearing on the issues in the present case.

c) Mr Baldwin seemed to me to be the witness whose evidence, whether in other respects accurate or not, was least affected by parti pris. (I should perhaps say that I did regard Mr Rhidian Williams as a notably fair-minded witness; however, his evidence had very little bearing on the present issue.)

71. Second, it is known that the question of the continued use of the trading name after termination of the Services Agreement was in the minds of those negotiating the reorganisation of the business in 2007; this is clear from Mr Reid-Jones' emails and was confirmed by him in evidence. Further, the tenor of Mr Reid-Jones' evidence was that the risk of adverse consequences from the termination of the Services Agreement was particularly heavy on LLP, because it had less control than did Quad over the continuation or termination of the agreement. As the problem was both real and recognised, it is improbable that it was not addressed in the discussions, no matter what other issues were also discussed.

72. Third, Mr Reid-Jones actually admitted in cross-examination that the risk of the loss of the trading name was "an aspect" of what had been discussed in the course of negotiations. But he did not identify any way in which the matter had been addressed, other perhaps than the use of the extended 99-year term to "kick [the problem] down the road". Importantly, in circumstances where Old Quad had the existing use of the Mark and LLP could use it only with Old Quad's permission, it would have been unrealistic to treat this as some sort of unresolved legal issue that could go either way: this was not a knotty legal problem, it was simply a case of what Old Quad would permit. In that sense, it is implausible that the matter was "kicked down the road" in the sense of being left for later resolution; on the other hand, it is entirely reasonable to suppose that the parties addressed the matter by minimising the risk that LLP would lose the trading name in the foreseeable future. In those circumstances, and in the light of his earlier evidence, it seems to me that Mr Baldwin's evidence in cross-examination regarding what was "always assumed" is properly to be understood as confirmation of the tenor of the discussions on the point in early 2007, not as a mere statement of his belief that each of those involved shared some private and uncommunicated assumption. Everyone understood that LLP could only use the Mark with Quad's permission, and not even Mr Reid-Jones suggests that there was ever an agreement that it could continue to do so after the relationship between the parties had ended.

73. Fourth, the commercial context seems to me to militate strongly in favour both of Quad's case as to what was expressly agreed and of the proper interpretation of the licence if nothing was said in terms about its duration.

a) Old Quad resisted the use of Quantum Advisory in LLP's legal name, because it would have meant Old Quad (and, in particular, Quad) giving up that name. Some part of this resistance may have been borne of emotional attachment to the name. However, the main reason for it was, I find, concern over retention of the trading name. In fact, even if Quad had agreed to change its corporate name and let LLP have the legal name Quantum Advisory LLP, Quad could have retained by agreement perpetual use of the trading name. It did not do so. This indicates that it wished to keep control, not merely use, of the trading name.

b) The notion that there was some kind of implicit agreement for concurrent goodwill associated with the Mark after termination of the Services Agreement is implausible, for reasons put to Mr Reid-Jones in cross-examination. It rests on the supposition that the legacy business would have no use for the use of the Mark in seeking new business. This, however, is speciously plausible only if it is really assumed that Quad had no real interest in the brand at all; but that is not so. The evidence of both Mr Coombes and Mr Rhidian Williams shows that the Quantum Advisory brand has been used in obtaining further business for Quad, both through re-tendering and by new pension schemes of existing clients. And, of course, there were several grounds on which the Services Agreement might be terminated, including both breach by LLP and matters not involving breach.

c) The possibility of termination of the Services Agreement seems to me to pose a considerable obstacle to LLP's contention that the licence should be construed as surviving termination of the relationship. I have referred to clause 15 in paragraph 31 above and shall not set out its terms verbatim. It appears to be LLP's case that, in the event of termination—seemingly, for any reason—before the end of the 99-year period, LLP's licence to use the Mark remained in place. Quad could give notice to terminate the Services Agreement if, for example, an administrative receiver or administrator were appointed for LLP, or LLP entered into a voluntary arrangement with its creditors (none of these events constituting a breach of contract by LLP), yet apparently LLP would retain the use of the Mark. Clause 15.5 provides that Quad may give notice to terminate the Services Agreement if certain Key Personnel (including Mr Baldwin and Mr Reid-Jones) cease to have involvement or control of LLP, or if the annual revenue payable to Quad falls below specified levels before 6 April 2017. Again, it appears to be LLP's case that LLP would have concurrent rights to use the Mark in those circumstances. This is not a sensible way to understand the licence.

d) The lack of commercial sense in LLP's case also appears from Mr Reid-Jones' acceptance that, if the association between LLP and Quad were to be terminated, LLP would no longer be able to use the domain, website or form of email addresses, all of which have been fundamental means by which LLP has used the Mark.

74. Thus I do not find LLP's case, attractively though it was advanced before me by Mr Hill, to be at all persuasive. Mr Hill points to the commercial purpose of the arrangements between the parties, including the enabling of LLP to develop its own business, largely with the use of Quad's assets and the Mark. As I said in my earlier judgment, at [88], with reference to the Services Agreement:

> "It was a bespoke agreement, fashioned to address the competing needs and interests of a group of professional people and, in particular, the practical issues involved in permitting one part of the group enjoy the benefits of the established Quantum brand and business when they were unable to afford a buy-out of the interest of the other part of the group."

And again, at [6]:

> "[T]he benefit to the new entity was that it would receive a turnkey business: it would take over all of the staff of the legacy companies and have the full use of their premises and equipment and the Quantum brand name, as well as having an established client base on which to build new business. Thus it would be enabled to develop its own business without the usual costs and risks associated with starting a business from scratch."

In that context, Mr Hill submits that any analogy with the familiar franchising situation can only extend to the legacy business but cannot apply to the independent business of LLP that was intended to be built up for the benefit of its members. I agree, but only to the extent that each case must be considered individually, in order to establish the specific nature and scope of the licence in the particular case.

75. Mr Hill also submits that Quad's case rests on an impermissible severance of goodwill from the business to which it is attached, so as to treat it as inhering in the Mark alone. This, he says, would make Quad the owner of the non-legacy business (contrary to the findings in the earlier proceedings) and would offend against the prohibition on dealings in gross with goodwill. In my judgment, these points are overstated. To say that an entity must cease to use its trading name is not to say that the business of that entity belongs to the person with the right to use the trading name. Goodwill is not the same as a business: "It is the benefit and advantage of the good name, reputation, and connection of a business." And a trading name is not identical with goodwill: it is not property; and "Goodwill is composed of a variety of elements." (See the quotation from Lord Macnaghten in paragraph 46 above.) The conclusion that, after the termination of the Services Agreement, the LLP was no longer licensed to use the Mark would not entail the transfer of its business to Quad; it would simply mean that the continued use of the Mark would lay it open to a passing-off action, if the elements of the cause of action were established. In such a circumstance, LLP would be perfectly entitled to continue its business, provided only that it did not materially misrepresent itself as associated with Quad and took any necessary steps to give sufficient notification to third parties to prevent such a misrepresentation occurring. These considerations indicate that the central point of LLP's case on this issue, namely the commercial purpose of enabling LLP to build up its own independent business, is not conclusive of the issue.

76. Accordingly, I conclude that LLP is licensed to use the Mark during the continuance of the association with Quad. It is the owner of the business that, with the use of the Mark among other things, it builds up during the continuance of that association. However, upon termination of the Services Agreement LLP will no longer be licensed to use the Mark and will be liable to a claim for passing off if it materially misrepresents its business as being associated with Quad and if the other requirements of the tort are met.

The registered Trade Marks

77. The remaining issues concern the registered trade marks. The particulars of claim aver that LLP applied for and obtained the registration of the trade marks as the agent and/or representative of Quad (paragraph 18), that it is entitled to a declaration that it is entitled in equity to the benefit of the trade marks (paragraph 21), and that it is entitled to rectification of the trade marks under section 10B of the Trade Marks Act 1994 ("the 1994 Act"), so as to substitute Quad as the owner of the marks, and/or to relief in equity to ensure that Quad is registered as the owner of the marks in the Trade Marks register and/or obtains the entire benefit of the registration (paragraph 23).

The 1994 Act

78. Section 2 of the 1994 Act provides:

> "(1) A registered trade mark is a property right obtained by the registration of the trade mark under this Act and the proprietor of a registered trade mark has the rights and remedies provided by this Act.
>
> (2) No proceedings lie to prevent or recover damages for the infringement of an unregistered trade mark as such, but nothing in this Act affects the law relating to passing off."

Section 22, so far as applicable, provides:

> "A registered trade mark is personal property …"

Section 26, so far as applicable, provides:

> "(1) No notice of any trust (express, implied or constructive) shall be entered in the register; and the registrar shall not be affected by any such notice.
>
> (2) Subject to the provisions of this Act, equities … in respect of a registered trade mark may be enforced in like manner as in respect of other personal or moveable property."

79. Section 24(1) provides:

> "(1) A registered trade mark is transmissible by assignment, testamentary disposition or operation of law in the same way as other personal or moveable property.
>
> It is so transmissible either in connection with the goodwill of a business or independently."

80. The rights of the proprietor of a registered trade mark have effect from the date of the filing of the application for registration, although no proceedings for infringement may be commenced before the date on which the trade mark is registered: sections 9(3) and 40(3).

81. Section 10B of the 1994 Act was inserted by the Trade Marks Regulations 2018 and came into force on 14 January 2019. It provides:

> "(1) Subsection (2) applies where a trade mark is registered in the name of an agent or representative of a person ('P') who is the proprietor of the trade mark, without P's consent.
>
> (2) Unless the agent or representative justifies the action mentioned in subsection (1), P may do either or both of the following—
>
> > (a) prevent the use of the trade mark by the agent or representative (notwithstanding the rights conferred by this Act in relation to a registered trade mark);
> >
> > (b) apply for the rectification of the register so as to substitute P's name as the proprietor of the registered trade mark."

That provision implemented Article 13 of Directive (EU) 2015/2436 ("the Directive"):

> "1. Where a trade mark is registered in the name of the agent or representative of a person who is the proprietor of that trade mark, without the proprietor's consent, the latter shall be entitled to do either or both of the following:
>
> > (a) oppose the use of the trade mark by his agent or representative;
> >
> > (b) demand the assignment of the trade mark in his favour.
>
> 2. Paragraph 1 shall not apply where the agent or representative justifies his action."

82. Section 10B replaced section 60, which was repealed with effect from 14 January 2019:

> "(1) The following provisions apply where an application for registration of a trade mark is made by a person who is an agent or representative of a person who is the proprietor of the mark in a Convention country.
>
> (2) If the proprietor opposes the application, registration shall be refused.
>
> (3) If the application (not being so opposed) is granted, the proprietor may—
>
> > (a) apply for a declaration of the invalidity of the registration, or

> (b) apply for the rectification of the register so as to substitute his name as the proprietor of the registered trade mark.
>
> (4) The proprietor may (notwithstanding the rights conferred by this Act in relation to a registered trade mark) by injunction restrain any use of the trade mark in the United Kingdom which is not authorised by him.
>
> (5) Subsections (2), (3) and (4) do not apply if, or to the extent that, the agent or representative justifies his action.
>
> (6) An application under subsection (3)(a) or (b) must be made within three years of the proprietor becoming aware of the registration; and no injunction shall be granted under subsection (4) in respect of a use in which the proprietor has acquiesced for a continuous period of three years or more."

Section 55(1)(b) defines "a Convention country" to mean a country, other than the United Kingdom, that is a party to the Paris Convention for the Protection of Industrial Property of March 20th, 1883 ("the Paris Convention") or the WTO Agreement dated 15 April 1994.

83. Sections 10B and 60 of the 1994 Act and Article 13 of the Directive all derive ultimately from Article 6*septies* of the Paris Convention:

> "(1) If the agent or representative of the person who is the proprietor of a mark in one of the countries of the Union applies, without such proprietor's authorization, for the registration of the mark in his own name, in one or more countries of the Union, the proprietor shall be entitled to oppose the registration applied for or demand its cancellation or, if the law of the country so allows, the assignment in his favour of the said registration, unless such agent or representative justifies his action.
>
> (2) The proprietor of the mark shall, subject to the provisions of paragraph (1), above, be entitled to oppose the use of his mark by his agent or representative if he has not authorized such use.
>
> (3) Domestic legislation may provide an equitable time limit within which the proprietor of a mark must rights provided for in this Article."

The claim under the 1994 Act

84. For LLP, Mr Hill took an initial point about the applicability of section 10B, which had not been raised in the Defence. He submitted that Quad could not have relied on section 60, because it is not and has never been the proprietor of a trade mark in a Convention country as defined in section 55; its business has always been confined to the United Kingdom. Section 10B came into effect only after LLP had applied for and (in respect of all except the Word Trade Mark) obtained registration of the trade marks. Therefore,

to permit reliance on section 10B would contravene the principle that legislation ought not to be given retrospective effect, in particular where to do so would deprive persons of their property without compensation. In order to avoid this impermissible retrospectivity, transitional provisions ought to be implied, though none are express.

85. The basic principle relied on is expressed as follows in *Bennion, Bailey and Norbury on Statutory Interpretation* (9th edition) at 7.13 (references omitted, here and elsewhere):

> "(1) It is a principle of legal policy that, except in relation to procedural matters, changes in the law should not take effect retrospectively.
>
> (2) Legislation is retrospective if it alters the legal consequences of things that happened before it came into force."

However, as the same text goes on to observe, there is no doubt but that Parliament has the ability to legislate retrospectively and retrospectivity is better viewed as a matter of degree than an absolute. As it states at 7.14, the matter is one of presumption:

> "(1) Unless the contrary intention appears, an enactment is presumed not to be intended to have a retrospective operation.
>
> (2) The strength of the presumption varies from case to case, depending on the degree of unfairness that would result from giving the enactment retrospective effect.
>
> (3) The greater the unfairness the clearer the language required to rebut the presumption.
>
> (4) Special considerations apply to procedural changes."

And at 7.15:

> "There is a general presumption that changes to procedure apply to pending as well as future proceedings."

86. Mr Hill relied on the decision of Henry Carr J in *Neptune (Europe) Ltd v Devol Kitchens Ltd* [2017] EWHC 2172 (Pat), [2018] FSR 3, which concerned the effect of an amendment to section 213(2) of the Copyright, Designs and Patents Act 1988 effected by the Intellectual Property Act 2014. The judge there held that the amendment in question was a substantive rather than merely procedural amendment but that, despite the absence of transitional provisions, it was not fully retrospective, in that it did not extinguish accrued rights of action for infringements that had occurred before the amendment took effect.

87. I reject Mr Hill's submission on this point.

1) There are, as a matter of fact, no relevant transitional provisions. That is not necessarily an end of the matter, but it is a proper starting point for consideration of the effect of the amendments to the 1994 Act. On the face of it, section 60

was repealed with absolute and immediate effect on 14 January 2019 and was replaced with immediate effect on the same date by section 10B.

2) The decision in the *Neptune* case is relevant only at a high level of generality. Henry Carr J did not decide the point in question simply on the basis of general principles or presumptions; he carried out a detailed examination of the relevant legislation in order to arrive at a conclusion as to its proper interpretation. The argument before me, however, has relied simply on invocation of general principles. I can see nothing else that would justify the implication of transitional provisions.

3) As set out above, the strength of the presumption against retrospectivity turns on the degree of unfairness involved. Section 10B gives effect, for the first time in a purely domestic context, to principles contained in the Directive but already reflected in the Paris Convention. The principles relate to what might be called unconscionable conduct: the conduct of an agent or representative in taking, without consent of its principal or other justification, benefits that properly belong to its principal. If the requirements of section 10B are satisfied, it will normally also be the case that the requirements for equitable relief would also have been satisfied (see below). In these circumstances, the complaint of unfairness has little traction, as does the objection that the retrospective application of section 10B amounts to deprivation of property without compensation.

4) Taken as a suite, Mr Hill's submissions are an effort to eat one's cake and have it. He says that Quad has no remedy under the 1994 Act: not under section 60, because it is not a Convention country; not under section 10B, because it post-dates the applications for registration. Therefore, he says, Quad does not in this case have the protection under Article 13 of the Directive that would now be available under section 10B. But he also says that Quad can have no relief in equity, because such relief would be contrary to the harmonisation of EU law in respect of trade marks. In my view, Mr Hill cannot have it both ways. If (as he concedes: see below) there was room for equitable relief while section 60 was in effect and before section 10B came into effect, it is hard at least for me to see why equity should be excluded in respect of matters to which the harmonisation does not (on his submission) apply because they predate the legislation giving effect to it.

5) Closely related to these considerations is the point advanced by Ms Himsworth: namely, that section 10B is not concerned with the substantive rights afforded by registration (unlike the position in the *Neptune* case, which did concern the substantive rights) but rather with the name in which those rights are registered. A claim under section 10B does not challenge the validity of the registration, merely the name in which registration has occurred: it does not seek to *alter* the registration (as, for example, where there had been a change of circumstance) but seeks to rectify it in accordance with what it ought to have been. Similarly, as any claimant who establishes a right to a remedy under section 10B will already have been the beneficial owner of the registered marks, the provision is by nature a procedural provision, or at least analogous thereto, as it concerns the vindication of pre-existing rights.

88. I turn to the requirements for a successful application under section 10B, which in the present case may be stated as follows in respect of each of the four registered trade marks:

    i. LLP must have been the agent or representative of Quad.

    ii. Quad must have been the proprietor of a trade mark that (a) is identical with or similar to the registered trade mark and (b) subsisted in goods or services identical or similar to those for which the registered trade mark was registered.

    iii. LLP must have applied for registration of the trade mark in its own name.

    iv. LLP must have applied for registration without Quad's consent.

    v. LLP fails to establish that its actions in applying for registration of the trade mark was justified.

    I shall take these requirements in turn.

89. As to the first requirement, the meaning of "agent or representative" in section 60 was considered by Richard Arnold QC as the Appointed Person in *In the Matter of an Application for Rectification by Sribhan Jacob Company Limited* (O-066-08) (3 March 2008). He said:

> "37. [T]he words 'agent or representative' in section 60 should be interpreted in the same way as the same words in Article 8(3) of the CTM Regulation have been interpreted by the Office for Harmonisation in the Internal Market in the three decisions which I cited in *BRUTT* at [101], namely *Promat Ltd v Pasture BV* (Decision 164C/00054844/1, Cancellation Division, 19 December 2002), *Sotorock Holding Ltd v Gordon* (Case R336/2001-2, Board of Appeal, 7 July 2003) and *Sybex Inc v Sybex-Verlag GmbH* (Decision 2486/2004, Opposition Division, 26 July 2004).
>
> 38. In *Promat v Pasture* it was held at [14]:
>
>> 'The terms "agent" or "representative" must be interpreted broadly to cover all kinds of commercial relationships, regardless of the *nomen juris* of the contractual relationship between the principal-proprietor and the agent-CTM applicant. Thus, it is sufficient for the purposes of Article 8(3) CTMR that there is some kind of agreement of commercial co-operation between the parties of a kind that gives rise to a fiduciary relationship by imposing on the applicant, whether expressly or implicitly, a general duty or trust and loyalty as regards the interests of the TM owner. It follows that Article 8(3) may also extend, for example, to licensees of the owner or to authorised distributors of the goods for which the mark in question is used.'

> 39. In *Sotorock v Gordon* it was held at [17]:
>
> > 'Article 8(3) CTMR has its origins in Article 6*septies* of the Paris Convention for the protection of Industrial Property (OJ OHIM 9/97, p.805). In the spirit of the original provision, Article 8(3) CTMR aims at providing a safeguard for trade mark proprietors against attempts at misappropriation of the trade marks by persons who are in a close business relationship with the proprietors. Such persons may have the capacity of a proprietor's agent or representative, as is mentioned in the wording of Article 8(3) CTMR. The term "representative" is a broad concept and may include a distributor or an importer of the proprietor's goods or any party who acts for the proprietor in any trade connection. Both agent and representative, by virtue of the close commercial relationship they have with the trade mark proprietor, may be able to take advantage of the proprietor's intellectual property. This provision sets down the limits of this relationship and offers protection to the trade mark proprietor where there is proof that the relationship exists and that the trade mark proprietor never consented to the agent's or representative's registering the proprietor's trade mark in its own name.'
>
> 40. In *Sybex v Sybex-Verlag* it was held at page 9 section 3:
>
> > 'In view of the purpose of this provision, which is to safeguard the legal interests of trade mark owners against arbitrary usurpation of their trade marks by trusted commercial associates, the terms "agent or representative" should be interpreted broadly to cover all kinds of equivalent cases regardless of the *nomen juris* of the contractual relationship between the principal/proprietor and the CTM applicant. Thus, this provision could also encompass, for instance, local distributors, franchisees or licensees of the proprietor.'"

At paragraph 51, Mr Arnold accepted the submission that the applicant had to show that there was a relationship of "trust and confidence" with the person who had obtained the registration.

90. The approach set out in *Sribhan Jacob Company Limited's Application* is consistent with the more recent remarks of the Court of Justice of the European Union in *European Union Intellectual Property Office ["EUIPO"] v John Mills Ltd* (Case C-809/18P), EU:C:2020:902, [2021] Bus LR 123, which concerned the words "agent or representative" in the provisions relating to relative grounds for refusal of registration in Article 8 of Council Regulation (EC) No. 207/2009 of 26 February 2009 on the EU trade mark. At [83] the Court observed that the objective of Article 8 was

> "to prevent the misuse of the earlier mark by the agent or representative of the proprietor of that mark, as those persons

> may exploit the knowledge and experience acquired during their business relationship with the proprietor and may therefore improperly benefit from the effort and investment which the proprietor himself has made."

The Court continued:

> "84. It follows that the attainment of that objective requires a broad interpretation of the concepts of 'agent' and 'representative' within the meaning of that provision. That finding as to the meaning of the condition relating to the status of the applicant for registration of the mark vis-à-vis the proprietor of the earlier mark is, moreover, corroborated by the fact that, under that provision, those two concepts are linked by the co-ordinating conjunction 'or', which testifies to the application of article 8(3) of Regulation No 207/2009 in the various cases of representation of the interests of one party by another.
>
> 85 The Board of Appeal therefore did not commit an error of law by stating, in para 20 of the decision at issue, that those concepts must be interpreted in such a way as to cover all forms of relationship based on a contractual agreement under which one of the parties represents the interests of the other, with the result that it is sufficient, for the purposes of the application of that provision, that there is some agreement or commercial co-operation between the parties of a kind that gives rise to a fiduciary relationship by imposing on the applicant, whether expressly or implicitly, a general duty of trust and loyalty as regards the interests of the proprietor of the earlier mark."

91. On the basis of such a broad meaning of "agent or representative", it is clear in my judgment that LLP was at the material time and remains now the agent or representative of Quad. I refer to but shall not repeat what I have previously written regarding the nature of the relationship between the parties arising under the Services Agreement.

92. As to the second requirement, I have formulated it in terms that, subject to one ambiguity, reflect the common position of the parties (cf. Quad's skeleton argument, paragraph 87; LLP's skeleton argument, paragraphs 52-54; but cp. Quad's skeleton argument, paragraph 77). In *EUIPO v John Mills Ltd*, in the context of Article 8 of Council Regulation (EC) No. 207/2009, the CJEU confirmed at that the registered mark and the earlier mark did not have to be identical, but that similarity could suffice, and that the requirement of similarity between the marks did not mean that there had to exist a likelihood of confusion; the same applies to the goods or services: see [72]-[74], [92] and [99].

93. Section 3 of EUIPO's *Guidelines for Examination of European Union Trade Marks* discusses "unauthorised filing by agents of the TM proprietor (Article 8(3) EUTMR)". The text includes the following:

"4.5.1 [A]applying Article 8(3) EUTMR exclusively to identical marks for identical goods or services would render this provision largely ineffective, as it would allow the applicant to make variations either to the earlier mark or to the specification of goods and services that would still allow the contested mark to be attributed to the original proprietor. Therefore, the scope of application of Article 8(3) EUTMR should not be limited to identical marks but should also extend to similar marks (11/11/2020, C-809/18 P, MINERAL MAGIC, EU:C:2020:902, § 74, 91 and 99). Likewise, its application cannot be precluded just because the goods or services are similar, and not identical (11/11/2020, C-809/18 P, MINERAL MAGIC, EU:C:2020:902[1], § 99).

However, the assessment of similarity for the purposes of Article 8(3) EUTMR must be made in due consideration of the objective pursued by that provision, which is to prevent the misappropriation of the earlier mark by the agent or representative of the proprietor of that mark.

Moreover, not just any degree of similarity between the marks and the goods or services at issue may entail a misappropriation of the earlier mark. In particular, likelihood of confusion is not a condition for the application of Article 8(3) EUTMR (11/11/2020, C-809/18 P, MINERAL MAGIC, EU:C:2020:902, § 92). The degree of similarity between the marks and the goods or services should be such so as to guarantee that the purpose of Article 8(3) EUTMR is met, namely to prevent the misappropriation of the mark by the proprietor's agent (11/11/2020, C-809/18 P, MINERAL MAGIC, EU:C:2020:902, § 72)."

"4.5.2 It must be verified that the contested mark is sufficiently close to the earlier mark that, despite any variations, it would still be attributed to the original proprietor. Variations to the earlier mark which do not affect its original distinctiveness are not sufficient to exclude the application of Article 8(3) EUTMR. On the other hand, where the contested mark contains variations that alter the original distinctiveness of the earlier mark, it would be, in principle, more unlikely to find that there was misappropriation."

4.5.3 It must be verified whether the goods and services display a close relationship in commercial terms such that the use of the contested mark for those goods or services would pose a serious obstacle for the original proprietor to enter the EU market or continue exploiting its mark on that market.

[1] References to the MINERAL MAGIC case are to *EUIPO v John Mills Ltd.*

> What counts is that the contested goods or services may be perceived by the public as being provided as a result of an agreement between the parties and that it would be reasonable for the original proprietor to provide such goods or services itself in view of the scope of protection of the earlier mark."

94. For reasons sufficiently appearing above, I am satisfied that Quad was the proprietor of the Mark. The Word Trade Mark is identical to the Mark.

95. LLP accepts that the Device Trade Mark and the Device Series Trade Mark are similar to the Mark, but it denies that the Q Device Trade Mark is similar to the Mark: Defence, paragraph 16; skeleton argument, paragraph 60. I agree that the Q Device Trade Mark is not similar to the Mark. All they have in common is the letter "Q".

96. It is at this point that there was a difference between the parties as to the requirement of similarity of non-identical marks. For LLP, Mr Hill approached the matter on the basis that the marks had to be sufficiently similar when looked at by themselves; thus there was no significant similarity between the Mark and the letter Q as appearing in the Q Device Trade Mark (it has been referred to as the "Hero Q"). For Quad, however, Ms Himsworth approached the matter on the basis that close association of ostensibly dissimilar marks was sufficient. Thus the first formulation of the requirement in Quad's skeleton argument, paragraph 77, was: "The signs and the goods and services are identical or *closely related*" (my italics). This way of putting it makes a significant difference, as appears from the way the formulation was applied in submissions. Quad's skeleton argument said at paragraph 88:

> "In the present case the trade mark applications were *all* made with respect to marks that had been used with respect to the services provided to Quad's clients by LLP processing business on Quad's behalf under the Services Agreement."

Ms Himsworth developed the matter as follows in her closing submissions (transcript, day 2, pages 111 – 112):

> "So the question then goes on: are the signs and the goods and services identical or closely related? Now, again, it is clear from the case law, both in the UK under section 60 and in Europe, that you don't need identicality. And that closely related is ––again, it will be a matter for my Lord, and I will make submissions as to what that means. … [T]he judgment in the John Mills case sets out the criteria .
>
> Now, the signs in this case, all the marks applied for, are ones that had been used with respect to Quad's clients. The Word Mark is, on any view, identical to the Mark, Quantum Advisory, that has been admitted to be used since 2000. And the others, save for the Hero Q on its own [i.e. the Q Device Trade Mark], all contain as their distinctive element 'Quantum Advisory'. Now, unlike other aspects of trademark law, there's no need for confusion or thinking there will be confusion on this part in this case. It's simply a question of looking at the marks and thinking:

> are they either identical—which we would say, in my respectful submission they are identical—to the marks of Quad, or so closely related that they would fall within section 10B?"

97. The facts on which Quad's submissions are based are correct. The designs in the registered trade marks (other, of course, than the Word Trade Mark), including the Hero Q, were the product of re-branding carried out by LLP and have been used for several years on the letter heads and marketing documents of all Quantum Advisory business, both the legacy business and the new business of LLP. Mr Rhidian Williams readily acknowledged in the course of his cross-examination that the designs had been used by Quad for the purpose of re-tendering exercises.

98. However, the reformulation of the second requirement in terms of "close association" rather than "similarity" appears to me to be unjustified; at least, if there is any justification for it, Ms Himsworth has not shown it to me. The case of *EUIPO v John Mills Ltd*, on which she relied, refers to the similarity of the marks, not to a close association between dissimilar marks. The same understanding is clear in EUIPO's *Guidelines*, quoted above, on which Ms Himsworth also relies. Therefore, as already set out, the *Guidelines* say:

> "[T]he assessment of similarity for the purposes of Article 8(3) EUTMR must be made in due consideration of the objective pursued by that provision, which is to prevent the misappropriation of the earlier mark by the agent or representative of the proprietor of that mark."

The basic point of all these provisions is to prevent misappropriation of a mark belonging to another; as the CJEU made clear in *EUIPO v John Mills Ltd*, the point of the similarity criterion is to prevent the ruse of minor alterations being used to get around the provisions. The logic of section 10B is, in my view, very simple: the proprietor of a mark can take action for relief against someone who has registered that mark or (so that circumvention can be prevented) something very like it.

99. Accordingly, Quad's case under section 10B in respect of the Q Device Trade Mark fails. Such a case would have had to assert not that the Hero Q was similar to or associated with the Mark but that it was itself identical to a mark of which Quad was the proprietor. No such assertion was made in in the particulars of claim (cf. paragraphs 3, 6 and 16) and that is not the basis on which the case was put before me.

100. Regarding the other three registered trade marks, the second part of the second requirement is that the Mark subsisted in goods or services identical or similar to those for which the registered trade mark was registered

101. In *EUIPO v John Mills Ltd* the CJEU said:

> "98 In so far as John Mills criticises the Board of Appeal on the ground that it found that article 8(3) of Regulation No 207/2009 was applicable in the present case, even though not all of the goods to which the application for registration of the contested mark refers were identical to those covered by the earlier mark, it should be borne in mind that, even though that provision does

> not mention the goods or services for which the mark is sought, the essential function of a mark is to indicate the commercial origin of the goods or services covered (*AS v Deutsches Patent- und Markenamt* (Case C-541/18) [2019] Bus LR 2248, para 18).
>
> 99 Consequently, for reasons similar to those set out in paras 70 to 73 of the present judgment, having regard to the general scheme of article 8(3) of Regulation No 207/2009 and the objective pursued by it, the application of that provision cannot be precluded by the fact that the goods or services covered by the application for registration and those covered by the earlier mark are similar, and not identical."

102. Ms Himsworth referred to paragraph 4.5.3 of the EUIPO *Guidelines*:

> "It must be verified whether the goods and services display a close relationship in commercial terms such that the use of the contested mark for those goods or services would pose a serious obstacle for the original proprietor to enter the EU market or continue exploiting its mark on that market.
>
> What counts is that the contested goods or services may be perceived by the public as being provided as a result of an agreement between the parties and that it would be reasonable for the original proprietor to provide such goods or services itself in view of the scope of protection of the earlier mark."

103. Mr Hill submitted that the *Guidelines* did not state the test with sufficient accuracy. He referred to *The Tea Board v EUIPO* (Joined Cases C-673/15P to C-676/15P), EU:C:2017:702, [2018] Bus LR 1095, where the CJEU said:

> "47. It is settled case law that, for the purposes of applying article 8(1)(b) of Regulation No 207/2009, the likelihood of confusion presupposes both that the trade mark applied for and the earlier trade mark are identical or similar, and that the goods or services covered in the application for registration are identical or similar to those in respect of which the earlier trade mark was registered, those conditions being cumulative: see *Office for Harmonisation in the Internal Market (Trademarks and Designs) (OHIM) v riha WeserGold Getränke GmbH & Co KG* (Case C-558/12P) EU:C:2014:22, para 41 and the case law cited.
>
> 48 Also according to settled case law, in assessing the similarity of the goods or services at issue, all the relevant factors relating to those goods or services should be taken into account. Those factors include, in particular, their nature, their intended purpose, their method of use and whether they are in competition with each other or are complementary: see, inter alia, *Sunrider Corp v Office for Harmonisation in the Internal Market (Trademarks and Designs) (OHIM)* (Case C-416/04P) [2006] ECR I-4237, para 85 and *Les Éditions Albert René SARL v European Union*

> *Intellectual Property Office (EUIPO)* (Case C-16/06P) [2008] ECR I-10053, para 65."

104. For my part, I do not see any conflict between the *Guidelines* and the judgment of the CJEU. The former address the essence of the issue, the latter the multi-factorial nature of the assessment that might be required.

105. All four marks were registered in respect of five Classes: Class 9 (computer software relating to financial services, etc.); Class 16 (printed matter in relation to financial consulting and advisory services); Class 35 (accounting advisory services etc); Class 36 (actuarial services); Class 41 (educational services in the fields of business, financial, investment and actuarial planning and services, etc).

106. In my judgment, despite Mr Hill's efforts to persuade me to the contrary, all of these activities are identical or similar to those in respect of which the Mark subsisted. The businesses of the parties have been described above. In their financial statements, both Quad and LLP identify their principal activity as "the provision of actuarial, consultancy and administrative services to corporate pensions clients and insurance companies". Classes 35 and 36 represent Quad's core business. The other three Classes are properly to be viewed, in the context of this case, as ancillary to that core; it is only by abstracting them from that context that they could appear to be dissimilar within the terms of the *Tea Board* case or the EUIPO *Guidelines*. Quad and LLP are not computer software producers, publishers or educators; they are both in the actuarial and accountancy business. Any intended use of the marks in respect of Classes 9, 16 and 41 will, in this case, be in association with that business. That is most obvious in respect of Class 16 (newsletters, brochures, etc), but it is also the case with Class 9 (the use of the mark in respect of computer software or mobile applications relating to financial services etc) and Class 41 (seminars, workshops etc, which are now commonplace in professional spheres). Any use by LLP of the registered trade marks in any of these contexts would pose an obstacle to the future use of the Mark by Quad, would be liable to be perceived by the public as being the result of an agreement between the parties, and would create a likelihood of confusion.

107. Accordingly I hold that the second requirement is satisfied.

108. There is no issue as to the third and fourth requirements.

109. As to the fifth requirement, the burden of justification lies on LLP. The nature of adequate justification was considered by The Second Board of Appeal of the Office for Harmonization in the Internal Market (Trade Marks and Designs) in *Sotorock Holding Limited v. Laurence E. Gordon and Gayle Gordon*, Case R 336/2001-2, where it was said at [24]:

> "An act which compromises the interests of the trade mark proprietor, such as the filing of a trade mark application in the agent's or a representative's name without the proprietor's consent, and is driven solely by an intention to safeguard the agent's or a representative's own interests, is not considered justifiable for the purposes of Article 8(3) CTMR. The same applies to the applicant's second argument, that is, that it was justified in doing so because it bore the registration costs. The

> interests of the trade mark proprietor cannot be subordinate to an agent's or a representative's financial expenses. The fact that an opponent might be unwilling to incur any financial expenses to register a trade mark, does not automatically grant a right to the agent or representative to proceed with the registration of the trade mark in its own name. This would constitute a violation of the agent's or representative's duty of trust and loyalty towards the trade mark proprietor."

110. Some guidance is again provided in the EUIPO *Guidelines* at paragraph 4.4:

> "Although Article 8(3) EUTMR treats the lack of the proprietor's consent and the absence of a valid justification on the part of the applicant as two separate conditions, these requirements largely overlap to the extent that if the applicant establishes that the filing of the application was based on some agreement or understanding to this effect, then it will also have provided a valid justification for its acts.
>
> In addition, the applicant may invoke any other kind of circumstance showing that it had a justification for filing the EUTM application in its own name. However, in the absence of evidence of direct consent, only exceptional reasons are accepted as valid justifications, in view of the need to avoid a violation of the proprietor's legitimate interests without sufficient indications that its intention was to allow the agent to file the application in its own name.
>
> …
>
> Justifications exclusively linked to an applicant's economic interests, such as the need to protect its investment in setting up a local distribution network and promoting the mark in the relevant territory, cannot be considered valid for the purposes of Article 8(3) EUTMR.
>
> Nor can the applicant successfully argue in its defence that it is entitled to some financial remuneration for its efforts and expenditure in building up goodwill for the mark. Even if such remuneration were well deserved or is expressly stipulated in the agency agreement, the applicant cannot use the registration of the mark in its own name as a means of extracting money from the opponent or in lieu of financial compensation, but should try to settle its dispute with the proprietor either by way of agreement or by suing for damages."

111. LLP's case on justification is set out in paragraph 22(e) of the Defence:

> "LLP was justified in registering the Trade Marks in its own name and in its own right, given:
>
> (i) LLP applied for the Trade Marks to protect the LLP Business, which it had a right to establish under the Services Agreement and

which carried with it the right to use the Mark in respect of that business independently of Quad.

(ii) Its ownership of the copyright in the devices registered as Trade Marks (and payment for the creation of those devices).

(iii) Its payment for the applications for the Trade Marks."

112. The third ground of justification is manifestly untenable, as was made clear in the *Sotorock Holding* case. The second ground of justification is untenable on the same basis and because it involves an attempt by LLP to pull itself up by its own bootstraps. If such a justification were permitted, the concern of the CJEU in *EUIPO v John Mills Ltd* to avoid circumvention by the use of non-identical designs would be nugatory. In his oral submissions Mr Hill did not seek to rely on these two grounds, save as ancillary to the first ground, which he maintained.

113. Mr Hill submitted that, whereas in cases such as the *Sotorock Holding* case the agent was preferring its own interests to that of the principal/proprietor and was compromising the latter's interests, in the present case LLP legitimately had its own freestanding goodwill in its own business, which it was entitled to protect.

114. In my judgment, that is not an adequate justification under section 10B. It still amounts to reliance on the self-interest of the agent in preference to that of the principal. Mr Hill's submission mischaracterises the position as between the parties, which I have explained at sufficient length. Quad, not LLP, was the proprietor of the Mark and had a goodwill associated with it. It remained the proprietor of the Mark and continued to use it. LLP had only a permissive right by licence to use the Mark during the subsistence of the relationship between the parties. It had its own goodwill in its own business, but it never acquired more than a licence to use the Mark. When the relationship ends, it will have to use a different trading name or risk laying itself open to an action for passing off. While the relationship subsists, although it may use the Mark for its own business, it is a fiduciary of Quad and is not permitted to prefer its own interests to those of Quad or to act in a manner that compromises Quad's interests. In seeking to register trade marks that incorporate the Mark, it has clearly done just that.

115. For these reasons I hold that Quad is entitled to relief under section 10B in respect of the Device Trade Mark, the Device Series Trade Mark, and the Word Trade Mark. It is not entitled to such relief in respect of the Q Device Trade Mark.

The claim in equity

116. The claim for relief in equity does not strictly arise for consideration in respect of any other than the Q Device Trade Mark.

117. The claim in equity is pleaded with less than ideal clarity in the particulars of claim. Paragraphs 12 and 13 aver that in providing services under the Services Agreement LLP has been acting as agent or representative of Quad, and that it has used the Mark for Quad's business. Paragraph 14 avers that LLP's use of the Mark for its own business has been with the permission of Quad. Paragraph 16 avers that the trade marks for which LLP applied for and obtained registration were each "in respect of or including the name and mark QUANTUM ADVISORY and associated branding".

Paragraph 17 avers that in applying for and obtaining registration of the trade marks LLP acted as agent and/or representative of Quad. The equitable relief to which Quad claims to be entitled is set out in paragraphs 21 and 23:

> "21. In the circumstances Quad is entitled to declarations that it is entitled in equity (i) to the benefit of the trade marks; and/or … (iii) the goodwill and reputation in the name Quantum Advisory and its associated brand.
>
> …
>
> 23. Further or alternatively Quad is entitled to such other relief in equity, including any necessary declarations or injunctions, to ensure that Quad is (i) registered as the owner of the marks in the Trade Marks register and/or obtains the entire benefit of such registration …"

118. The basic argument for equitable relief may, as I understand it, be summarised as follows. The effect of sections 2, 22, 24 and 26 of the 1994 Act is that nothing in the statutory scheme precludes such relief on general equitable grounds. This is confirmed by the view expressed *obiter* by Geoffrey Hobbs QC as the Appointed Person in *Ennis v Lovell (The Swinging Blue Jeans Trade Mark)* [2014] RPC 32, at paragraph 22(4). It is also supported by *Ball v The Eden Project Ltd* [2001] ETMR 87, where Laddie J ordered the registered proprietor to assign the mark to the company of which he was a director, on the grounds that in registering the mark in his own name he had acted in breach of fiduciary duty to the company. The entitlement to such relief on the facts of this case follows from my findings as to the existence of a fiduciary relationship, as to the nature and extent of the permission to LLP to use the Mark, and as to the lack of justification for LLP's registration of the trade marks. By registering, in its own name and for its own benefit, the Mark and the designs that were a refreshing of the brand and parasitic on the use of the Mark, LLP was in breach of its fiduciary duty to Quad.

119. Mr Hill submitted that, since the repeal of section 60 and the introduction of section 10B, there was no room for equitable relief. Until then, he conceded, equity did have a permissible role to play, because section 60 did not avail purely UK proprietors (as they were not from a Convention country within the statutory definition) and was not a provision derived from the Directive. However, he submitted that the Directive had provided a complete code in respect of its subject matter, namely the liability of agents in respect of trade marks, to which (so far as relevant for present purposes) effect had been given by section 10B, and that no room was left for the operation of equity to supplement the Directive in respect of the liability of agents.

120. Mr Hill relied on the decision of Males J in *Marussia Communications Ireland Ltd v Manor Grand Prix Racing Ltd* [2016] EWHC 809 (Ch), [2016] Bus LR 808, where, in answer to a claim for trade mark infringement, the defendant contended that the claimant was estopped from asserting its rights as owner of the trade mark. Males J held that a defence of estoppel was not available, because it would mean that protection for Community trade mark proprietors would be subject to issues outside the terms of Council Regulation (EC) No. 207/2009 and would vary with each different legal system. He said:

"90. As to the first question [namely, whether, where the defendant had failed to prove that the claimant had given consent, it could rely on English principles of estoppel to achieve a similar result], it is clear that Regulation No 207/2009 operates as a complete code so far as the rights of a Community trade mark proprietor are concerned. The reason why the European Court insisted on an autonomous Community meaning of 'consent' in the *Zino Davidoff* case [2002] Ch 109 was, as explained at para 41of the judgment:

> 'If the concept of consent were a matter for the national laws of the member states, the consequence for trade mark proprietors could be that protection would vary according to the legal system concerned. The objective of 'the same protection under the legal systems of all the member states' set out in the ninth recital in the Preamble to Directive 89/104, where it is described as "fundamental", would not be attained.'

91. The same unacceptable consequence would apply if, in a case where there was no consent within the meaning of Regulation No 207/2009, a proprietor was nevertheless precluded from exercising its rights under article 9 as a result of some other defence available under national law. Further, as noted above, the European Court went on to say, at para 58:

> 'A rule of national law which proceeded on the mere silence of the trade mark proprietor would recognise not implied consent but rather deemed consent. That would not meet the need for consent positively expressed, required by Community law.'

92. Although it would not be right to describe the principle of estoppel by acquiescence as comprising 'a rule of national law which proceeded on the mere silence of the trade mark proprietor', as more is required than mere silence, it is nevertheless a rule of national law which operates as a kind of deemed consent regardless of actual consent. A defendant only needs to invoke an estoppel defence when it is unable to prove actual consent within the meaning of the Regulation. While an estoppel defence may be characterised as an aspect of a wider principle of good faith or abuse of rights, to allow the possibility of such a defence would undoubtedly mean that protection would be subject to issues outside the terms of the Regulation and would vary according to the legal system concerned.

93 The exclusion of national law defences is further illustrated by *Martin y Paz Diffusion SA v Depuydt* (Case C-661/11) [2014] Bus LR 329. The defendant sought to rely on a defence of abuse of rights under Belgian law, but the European Court held, at para 54—55:

> '54. It is important to bear in mind, at the outset, that articles 5 to 7 of Directive 89/104 effect a complete harmonisation of the rules relating to the rights conferred

> by a trade mark and accordingly define the rights of proprietors of trade marks in the European Union: see, inter alia, *Zino Davidoff SA v A & G Imports Ltd* (Joined Cases C-414/99to C-416/99) [2002] Ch 109, [2001] ECR I-8691, para 39; *Coty Prestige Lancaster Group GmbH v Simex Trading AG* (Case C-127/09) [2010] ECR I-4965, para 27; and Budějovický Budvar, narodni podnik v Anheuser-Busch Inc (Case C-482/09) [2012] Bus LR 298; [2011] ECR I-8701, para 32.
>
> 55. Consequently, save for the specific cases governed by article 8 et seq of that Directive, a national court may not, in a dispute relating to the exercise of the exclusive right conferred by a trade mark, limit that exclusive right in a manner which exceeds the limitations arising from articles 5to 7of the Directive.'"

121. With reference to the Directive, Mr Hill referred in particular to the following Recitals, which he said showed that the position was analogous to that in the *Marussia* case and that section 10B, giving effect to Article 13, was a comprehensive code for its subject matter and left no room for equity to supplement the principal's rights:

> "(8) In order to serve the objective of fostering and creating a well-functioning internal market and to facilitate acquiring and protecting trade marks in the Union, to the benefit of the growth and the competitiveness of European businesses, in particular small and medium-sized enterprises, it is necessary to go beyond the limited scope of approximation achieved by Directive 2008/95/EC and extend approximation to other aspects of substantive trade mark law governing trade marks protected through registration pursuant to Regulation (EC) No 207/2009."
>
> "(10) It is essential to ensure that registered trade marks enjoy the same protection under the legal systems of all the Member States. In line with the extensive protection granted to EU trade marks which have a reputation in the Union, extensive protection should also be granted at national level to all registered trade marks which have a reputation in the Member State concerned."
>
> "(12) Attainment of the objectives of this approximation of laws requires that the conditions for obtaining and continuing to hold a registered trade mark be, in general, identical in all Member States."
>
> "(14) Furthermore, the grounds for refusal or invalidity concerning the trade mark itself, including the absence of any distinctive character, or concerning conflicts between the trade mark and earlier rights, should be listed in an exhaustive manner, even if some of those grounds are listed as an option for the Member States which should therefore be able to maintain or introduce them in their legislation."

122. Ms Himsworth submitted that the decision in the *Marussia* case was distinguishable from the issue in the present case, because it concerned Articles 5 to 7 of Regulation No 207/2009, which contained a complete harmonisation and exhaustive code of what constituted a trade mark infringement. The defendant in that case, whose conduct constituted an infringement under that Directive, was seeking to use a defence in English law where it could not avail itself of any defence in the Directive. Ms Himsworth submitted that the situation in this case is very different, as section 10B does not concern substantive rights of a registered proprietor or provide a comprehensive code of trade mark infringement.

123. I refuse relief in equity.

1) The obvious distinction between the subject matters of the provisions in the *Marussia* case and those in this case does not affect the underlying principle. Article 13 is intended to harmonise the rights of principals vis-à-vis their agents or representatives who have registered trade marks. It does this by enabling them to claim the registered trade marks if they are identical or sufficiently similar to their own previous marks. Quad's contention in this case would add further grounds for achieving the same result in circumstances where the criterion of identity or similarity was not satisfied. That would conflict with the Directive's purpose to harmonise the laws and to ensure that "the conditions for obtaining and continuing to hold a registered trade mark be, in general, identical in all Member States."

2) The availability of equitable relief in the *Swinging Blue Jeans* case and the *Eden Project* case is not persuasive to the contrary, because those decisions pre-dated the Directive and the introduction of section 10B.

3) For these reasons, I am of the view that equitable relief is not available in principle.

4) If I thought that equitable relief were available in principle, I would not grant it in respect of the Q Device Trade Mark, though I would grant it in respect of the other registered trade marks. In essence, this is because I should consider the conduct giving rise to relief under section 10B to be in breach of fiduciary duty, whereas the conduct not falling within section 10B is not such a breach of duty. There is no reason of principle why LLP should not act to its own advantage and in its own interests. It is simply prevented from doing so where its advantage and interests conflict with those of Quad. Actions to take the benefit of registration of marks identical with or similar to the mark of which Quad is the proprietor are, as it seems to me, an obvious case of preferring LLP's interests to those of Quad. But the Hero Q is not such a mark: it is not identical or even similar to Quad's mark and has been procured solely by LLP. The fact that it has subsequently been used in the branding of the businesses of both entities does not seem to me to indicate that registration of the mark by LLP is contrary to any legitimate interest of Quad's. Quad's legitimate interests, so far as marks are concerned, extend to the registration of marks to which it is entitled (that is, the other three registered marks) and matters falling within the law of passing off. The registration of the Q Device Trade Mark is not such a matter.

5) If equitable relief were available in principle, I should anyway think that it would be an exceptional case where a case not falling within section 10B could merit the grant of equitable relief.

Conclusion

124. LLP is a fiduciary to Quad in respect of the conduct of the Quad's business.

125. LLP is entitled by licence to the use of the Mark only during the subsistence of the Services Agreement. Upon termination of the Services Agreement LLP will no longer be licensed to use the Mark and will be liable to a claim for passing off if it materially misrepresents its business as being associated with Quad and if the other requirements of the tort are met.

126. Pursuant to section 10B of the 1994 Act, Quad is entitled to rectification of the register so as to substitute its name for that of LLP as proprietor of the Device Trade Mark, the Device Series Trade Mark and the Word Trade Mark.

127. Quad is not entitled to relief under section 10B in respect of the Q Device Trade Mark.

128. Quad is not entitled to an order for rectification, assignment or transfer in respect of any of the registered trade marks in equity.

129. I shall hear counsel further in respect of the terms of relief and any consequential matters.