O-066-04

DECISION OF THE TRADE MARKS REGISTRY

TRADE MARKS ACT 1994

APPLICANTS:

1) ENERTECH LIMITED
2) BENTONE AB
3) EGP EO & GB LIMITED

(CONSOLIDATED) INVALIDITY Nos. 81008 AND 81232

AND

REGISTERED PROPRIETOR: EOGB ENERGY PRODUCTS LIMITED

REGISTRATION No. 2019687

CLASS 11

REGISTRATION No. 2300783

CLASS 11

EOGB
Eogb
eobg

TRADE MARKS ACT 1994

BACKGROUND

Trade mark in issue

1. The registered marks are shown above. Registration No. 2019687 was applied for by EOGB Energy Products Ltd (RP)Castle Hills Court, Howard Road, Eaton Socon, St. Neots, Cambs, PE19 3ET Great Britain on 5th May 1995, while registration No. 2300783 (a series of three marks) was applied for, by the same properiters, on 17th May 2002. Both specify identical goods:

Class 11	Oil fired burners, gas fired burners, boilers, pumps; parts and fittings for the aforesaid goods.

2. On 2nd December 2002 the following applicants applied for invalidation of the mark under ss. 47(1) and (2) of the Act:

First Applicant	Enertech Limited of Vines Lane, Droitwich, Worcester, WR9 8LU
Second Applicant	Bentone AB of P.O. Box 309, SE341, 26 Ljungby, Sweden
Third Applicant	EGP EO & GB Limited of Parkview 1220, Arlington Business Park, Theale, Reading, RG7 4GA.

   The applicants allege that the registration was contrary to ss. 3(6) and 5(4)(a) of the Act.

3. A Counterstatement was provided by the Registered Proprietor (RP) denying the grounds asserted. Both parties ask for costs to be awarded in their favour.

HEARING

4. The matter was heard on 21st October 2003, where the applicants were represented by Mr. Simon Malynicz, instructed by Messrs. Marks & Clerks, and the Registered Proprietor by Ms. McFarland, instructed by Messrs. Lupton Fawcett.

EVIDENCE

The Applicants' evidence

5. The main evidence in both cases is (more or less) the same: it resides in the Witness Statements of Sven-Olov Lovgren, the MD of the 'second applicant' in this matter (see below), and Mr. John Dempsey, the Commercial Director of the RP. The evidence summary following is taken from these Statements, set out as follows:

81088 R. 13(7)		
Mr. Lovgren	25^{th} June 2003	Lovgren 1
R. 13(9)		
Mr. Dempsey Mr. Crossley	6^{th} August 2003	Dempsey 1
R. 13(10)		
Mr. Lovgren	9^{th} Sept. 2003	Lovgren 2
82123 R. 13(7)		
Mr. Lovgren	17^{th} March 2003	Lovgren 3
R. 13(9)		
Mr. Dempsey Mr. Crossley	6^{th} May 2003	Dempsey 2
R. 13(10)		
Mr. Lovgren	26^{th} June2003	Lovgren 4
Late Evidence		
Roger Hancox Mr. Crossley	30^{th} Oct. 2003 November 2003	

6. For clarity, the applicants are:

   ENERTECH LIMITED – first applicant
   BENTONE AB – second applicant
   EGP EO & GB LIMITED – third applicant

7. Enertech (the first applicant) is a UK company. Bentone AB, the second applicant and a Swedish company, is a wholly owned subsidiary of the latter. In 1987, Bentone set up a wholly owned subsidiary in the UK under the name Electro Oil & Gas Burners Limited (the then name of the third applicant). It is now a 'dormant' company and has been so since 1993. None of this is in dispute.

8. The role of Mr. Crossely's evidence, apart from the response to the applicants' late evidence (Witness Statement dated 'November 2003'), is only to confirm that of Mr. Dempsey's.

The founding of the third applicant and the nature of its business

9. Mr. Lovgren states that, as MD of the second applicant, in 1987 he 'instigated preparations' to establish a trading presence in the UK. This included commissioning the design of the EOGB logo, i.e. registration N^{o}. 2019687 (see Exhibit SOL1; Lovgren 1). The sign, it appears, had two purposes: 'to serve as a house trade mark for in effect the second applicant via their new UK trading subsidiary namely the third applicants, who were incorporated in 1987' and also to serve as an acronym for the company name of the third applicant 'Electro Oil & Gas Burner Limited'. The details of this are 'clarified' later in evidence of Mr. Lovgren, where, in response to comments by Mr. Dempsey (Dempsey 1, para. 47), he revises his evidence – the second applicant was established in 1966, changed its name several times – in fact the name of the third applicant was in place before Mr. Lovgren joined the second applicant. I not sure how this sits with his assertion that he 'instigated preparations' to establish a trading presence in the UK when it was already there.

10. Anyhow, Mr. Lovgren states that the third applicant was set up to act as distributor in the UK of goods manufactured by the second applicant: oil and gas fired burners, boilers, pumps and parts and fittings thereof. He says that '..the second Applicant would not only make the EOGB goods but would affix the EOGB logo to same upon packaging, boxes, invoices, headed notepaper etc.' Exhibit SOL2 shows two copies of headed notepaper from 1991 and 1992 originating from the third applicant; the EOGB logo is clearly displayed. The logo was apparently used in relation to the EOGB goods in the UK from 1987 to 1993.

11. Mr. Dempsey states that he has been the RP's commercial director since it started trading in 1993 and was, before that, employed by the third applicant in the UK with responsibility for administration, accounting and production. He adds that the third applicant was known by all its customers as EOGB, not as Electro Oil & Gas Burner Limited and that the logo appeared on stationery only, not on the products sold to UK customers, except 'for a period of time around 1988 to 1990' where burners were sold marked with the EOGB name that had been manufactured by the third applicant in the UK (Dempsey 1, para. 8). However, he also states:

> "The only goods sold by the Third Applicant that were manufactured by the Second Applicant in Sweden were oil burners, gas burners and some proprietary components. All pumps and most parts and fittings were manufactured by and obtained from third parties. Boilers were never sold. In addition the Third Applicant sold complementary products manufactured by third parties such as oil and gas burners from Elco-Klockner, Danfoss components, Satronic components, Landis & Gyr components and Suntec oil pumps".

12. It is not denied by Mr. Lovgren that the third applicant was selling goods from other manufacturers at this time. Nevertheless, he claims that (Lovgren 1, paragraph 2):

> "As a wholly owned subsidiary of the second Applicants, the assets of the third Applicant and any goodwill acquired by the third Applicant would accrue to the benefit of the second Applicant. Indeed the reason for commissioning the EOGB logo was so that the second Applicant, through the activities of its wholly owned subsidiary, namely the third Applicant in the UK, could acquire a trading presence and reputation in the UK; since the EOGB goods emanated from the second Applicant, in time the EOGB logo came in effect to represent both the third and the second Applicants in the UK."

The formation of the RP

13. Mr. Dempsey stated that '..around 1990..' it was decided that the UK production facility would close. Mr. Lovgren states that this was 'in 1991' (Dempsey 1, paragraph 9). Mr. Dempsey says that '[a]fter this decision was taken the Third Applicant's Managing Director at that time, Mr Lovgren, returned to Sweden and a new director, Sid Crossley, was appointed'. He says that the third applicant became 'simply a distributor' for the second applicant in the UK, importing 'some' of its burners from the second applicant, 'none of which bore the EOGB name or the EOGB logo' and burners from third parties were also imported (Dempsey 1, paragraph 10). In response to this, Mr. Logren states he believes '..that the third Applicants may have continued to sell the odd burner after that date and certainly carried on supplying spare parts for a long time after that date.' Also he states that there was '..a long standing commercial relationship starting in approximately 1980 between a German company called Klockner and the second Applicants involving the distributorship of burners in the UK by the third applicants under EOGB Logo' (Lovgren 2, paragraph 6). I must regard this comment as rather peculiar as, on his own admission, Mr. Lovgren states that the logo was not designed until 1987 and the third applicant was set up at that time. At the very least, Mr. Lovgren has been careless with his use of language. I note that Mr. Dempsey states (Dempsey 1, paragraph 47) that:

> "The third applicant had been trading since 1972. The name changed several times. He refers to 'their new UK trading subsidiary'. It wasn't new, it was the original company from about 1972 albeit with a name change. I believe that the name was changed to Electro Oil and Gas burners long before his arrival in 1987."

14. The third applicant stopped trading at the end of 1992. Of this Mr. Dempsey says it signified that the second applicant was pulling out of the UK market all together (Dempsey 1, paragraph 11), 'thereby abandoning any trade presence here'. He adds that they had decided to distribute their products through other distributors other than the third applicant. This is rather in contradiction to the notion that they were 'pulling out of the UK market all together' and Mr. Lovgren denies it (Lovgren 2, paragraph 7).

15. Both parties agreed that the setting up of the RPs – under the name of EOGB Energy Products Limited – was to the mutual benefit of all concerned. There is some discussion of the detail of this in the evidence which I have ignored – I do not see its relevance – whatever, the RP was trading (selling both the second applicant' products and other parties (Dempsey 1, paragraph 14)) as of January 1993. Both also agree that the RP was to act as the second applicant's distributor in the UK. This activity continued until 4th October 2001 ((Lovgren 1, paragraph 6), the relationship between the two parties up to that time being prescribed in two agreements, which I consider in detail below.

Use of the parties' trade names in the UK

16. The first agreement was signed in March 1993 and Mr. Dempsey states that at '..no time was there any complaint raised' about his own company's use of the mark in the three months before the first agreement was signed. Mr. Lovgren (Lovgren 2, paragraph 9) states that importance of the EOGB logo to the second applicant was made clear from the very first. As evidence, he includes an annotated early version of the first agreement (the better version is in Exhibit SOL7, appended to Lovgren 4), which contains the 'permission to use' clause. This document is undated, but a handwritten additional clause 17 – which does not appear in the

final signed version (dated 4th March 1993) – 'These Heads of agreement shall be worked into a formal agreement not later then 28 February 1993', from which it is reasonable to infer that whatever the significance the document had to its signatories, it was in mind within the three month period cited by Mr. Dempsey.

17. Mr. Dempsey describes the activities of the RP after 1993 (Dempsey 1, paragraph 16):

> "Since 1993 the Proprietor has sold the Second Applicant's burner products as well as products manufactured by third parties and products manufactured by the Proprietor, all under the under the EOGB trade mark and logo. The Proprietor has not carried out business exclusively in relation to the Second Applicant's products (neither did the Third Applicant prior to 1993). When we sell other companies' products they are invariably labelled with the manufacturers name but the packaging and the paperwork will have the EOGB trade mark and the EOGB logo on it. The burner supplier the Proprietor has been using since the Bentone contract ceased puts the EOGB name and EOGB logo on the product itself. We also provide technical support for the products that we sell and distribute in the UK, again under the EOGB trade mark and logo'.

18. Mr. Dempsey goes on to say that the RP only sells and distributes products: they do not install them. The majority of the business is to the non-consumer market, but includes items that find use in the domestic and commercial arenas, plus spare parts and 'specialised products'.

19. The 'domestic' products usually form part of the appliances of other distributors and manufacturers. Such products – only burners are mentioned – do not carry the EOGB mark. The latter appears in sales materials, stationery and packaging (Dempsey 1, paragraph 18).

20. As for commercial products, these are manufactured by the RP and 'Baltur' for specific, tendered, applications originating from, typically, councils, local health authorities, commercial appliance manufacturers, government bodies and local authorities (Dempsey 1, paragraph 19). Again, the logo is not used on such items but, as before, on sales materials, stationery and packaging.

21. As for the spare part operation, these consist of the second applicant's products and those of 'third parties', mainly to large distributors. Mr. Dempsey points out that the supply of spare parts for the second applicant's goods is not exclusive, but is available from a number of sources. Some documentary evidence is provided to demonstrate the activities ((Dempsey 1, paragraph 21, Exhibit JD2), but none of it includes promotional material from the RP itself. I note the following, identified by their page number in the Exhibit:

- At JD2.1 are two pages of an industry reference book citing burner supplies. EOGB is shown as a supplier of the 'trade named' Bentone and Giersch products, but not listed as a brand itself.

- JD2.4 is another product guide, this time for a spare parts distributor (described by Mr. Dempsey as 'the largest … in the UK') for burners. The parts are listed by reference to EOGB. Mr. Dempsey states that some of these parts are made by the second applicant, some by others.

- JD2.5 contains the same distributor's 'commercial' spare parts catalogue. Various products are listed by reference to the EOGB trade name. The page is entitled

'Electo Oil' spares. Mr. Dempsey states that this is a brand name used by the second applicant, but points out that the list contains parts made by other manufacturers.

- JD2.7 is described as a press release. It states *inter alia*:

  > "..a highly professional personal service committed to providing perfectly matched units for the heating and related markets. … Acknowledged for –
  > Extensive range of oil, gas and dual fuel burners.
  > Fast, reliable spares service.
  > Stockists of industry standard components.
  > Technical and training support.
  > Developing combustion solutions."

  Though this gives details of the RPs business which tends to confirm that provided by Mr. Dempsey, it is undated, which is unhelpful.

- JD2. 8 is an extract from a set of installation instructions for a Baltur burner.

- JD2. 9 is a copy of a programme from a 1999 MOD conference. EOGB personnel were speakers. An abstract of their presentation is provided:

  > "Burner Development for Diesel and other fuels
  >
  > Michael Palmer & Karen Stenton, EOGB Energy Products, UK
  >
  > EOGB Energy Products are a major pressure jet burner supplier to both domestic and commercial markets in the UK holding some 60% of the domestic oil market. In addition to supplying volume packaged burners to boiler manufacturers EOGB manufacture and supply bespoke burner systems against individual requirements.
  >
  > Applications developed include Field Catering Units, Diesel fired 'dry' sanitary systems, Bakery Ovens, Spray Booths, Air Heaters, Cookers and Steam Generators. Fuels used include diesel, kerosene, natural gas, LPG and poor quality oils including waste engine oil.
  >
  > Flexibility of design allows for voltages from 12/24 Volts DC to 400 Volts AC.
  >
  > EOGB will be discussing the design and development of such systems and the opportunities for use in today's changing market place."

22. Mr. Dempsey refers (Dempsey 1, paragraph 22) to further material, enclosed in Exhibit JD3:

- JD3.1 is one page from an installation instruction sheet. Mr. Dempsey says that is was for a range of 'specialist burners', 'developed and manufactured by the Proprietor and first sold in around 1995 under the EOGB trade mark and logo'. The document is, apparently, dated about 1996 and the product is still being sold. I am not told how many were sold.

- JD3.2 is described as ‘original artwork for a series of press advertisements to promote’ a model developed and manufactured by the Proprietor and first sold in around 1995 under the mark. Again, I am not told of the ‘coverage’ of the advertising – where and how much took place. The EOGB logo is prominent, but I consider this evidence to be of little value.

- JD3.3. Another example of original art work. And the same comments apply.

23. Also in reference to sales of goods, Mr. Dempsey says that from January 1993 to March 1995 68,000 burners were supplied direct to customers in the UK by the second applicant as opposed to 8,100 supplied by the RP (Dempsey 1, paragraph 23) – none used the EOGB sign, or made any reference to the RP. He adds that (Dempsey 1, paragraphs 24, 25) these goods were sold under the BENTONE and ELECTRO OIL brands. He refers to evidence of this in Exhibit JD4, which shows photographs of Bentone boilers, as delivered to the RP, the packaging of which disports the ELECTRO OIL brand. Photographs of ‘Identity’ labels on the products also carry the second applicant’s name, and the mark STERLING. This exhibit also contains further photographs showing the EOGB logo on products manufactured by other than the second applicant. The logo appears on the packaging and on the items themselves. I am, again, not told how many of these items were sold.

24. In response, Mr. Lovgren states that ‘there was in fact a very extensive contact established in the UK in the form direct sales between the third Applicant and direct customers and was made in furtherance of the relationship under the EOGB/EOGB logo marks’ (Lovgren 2, paragraph 11). I am not sure I understand this. From 1993 the third applicant ceased to trade and no evidence is provided of any trade by the second applicant (if that is who Mr. Lovgren intended to refer) into the UK under the EOGB sign. Mr. Lovgren even confirms that there was none (see paragraph 26, below).

25. Exhibit JD5 also contain material that, in Mr. Dempsey’s words, ‘illustrate that the second applicant uses the brands ‘Bentone’ and ‘Electro Oil’ in connection with the promotion and sale of its products.’ The first item (at JD5.1) is a brochure for the ‘Electro Oil Sterling’ range of boilers. This document states that (page JD5.5) ‘Sterling Gas Burners are manufactured by Bentone Electro Oil in Sweden’. The only reference to the EOGB mark appears on page JD5.6, where the RP is given as supplier of the products. At JD5.23 is an extract from a document which refers to a Bentone burner, and state ‘Electro Oil Products from EOGB Energy Products Ltd.’

26. As to the assertion that the second applicant did not use the EOGB mark in the UK, Mr. Lovgren comments that the use of the mark was under contract until October 2002 – and thus on behalf of the applicants within the UK marketplace. He says it was their intention that the RP should, for the duration of the agreements, ‘make sole use of the mark’ in the UK. Hence them not using this trading style on their own account directly (Lovgren 2, paragraph 12).

27. Mr. Dempsey also states that the RP continues to support warranties on the second applicant’s products, even following the termination of the distribution agreements, and from 1993 has provided support services to customers of the second applicant to whom the latter’s products were sold.

The activities of the RP

28. This is described in some detail by Mr. Dempsey in paragraphs 28 to 44 of Dempsey 1. the following spend on ‘marketing products and services under the EOGB trade mark and logo’ is claimed:

1993	£12,244
1994 (5 months)	£965
1994-1995	£16,410
1995-1996	£11,900
1996-1997	£8,654
1997-1998	£30,163
1998-1999	£23,353
1999-2000	£29,421
2000-2001	£15,117
2001-2002	£20,155
Total	£168,382

29. Also included is the amount spent on R&D:

1993	£28,052
1994 (5 months)	£9,465
1994-1995	£21,126
1995-1996	£26,938
1996-1997	£25,884
1997-1998	£25,362
1998-1999	£30,666
1999-2000	£30,085
2000-2001	£32,153
2001-2003	£30,945
Total	£260,676

30. Mr. Dempsey also gives figures for turnover for his company, showing figures for products sold under the EOGB trade mark and logo by the Proprietor which have been manufactured by the Proprietor or sourced from other parties:

	Bentone	Others
1993	£798,520	£881,919
1994 (5 months)	£266,119	£460,123
1994-1995	£928,748	£1,014,163
1995-1996	£1,076,769	£1,196,809
1996-1997	£1,293,658	£1,271,073
1997-1998	£1,375,367	£1,197,040
1998-1999	£1,683,660	£1,448,060
1999-2000	£1,698,484	£1,528,417
2000-2001	£1,505,810	£1,582,904
2001-2002	£1,584,735	£1,818,164

31. Mr. Dempsey states that promotions for domestic products were undertaken without any assistance from the applicants, save for about £2,500 contribution to launch costs of the Sterling range of boilers and £5000 contribution towards 'major exhibitions in any one year'. Mr. Lovgren claims (Lovgren 2, paragraph 16) that second applicant did contribute to marketing, indirectly. By the commission paid on sales to 'direct customers' (Lovgren 2, paragraph 13) – disputed by Mr. Dempsey – and by 'discounting' on the unit price of products sold to the RP. The latter, according to Mr. Lovgren meant that '..in effect any monies expended by [the RP] on marketing in the UK were paid for by the second applicant'. Mr. Dempsey questions this (Dempsey 1, paragraph 31), he says that the discount was unrelated to supporting the marketing efforts of the RP, but was solely due to 'reaching an agreed price after a certain amount of haggling'. There is no material evidence supporting either claim.

32. Mr. Dempsey, essentially, claims that the RP has used the name in the UK with a very great degree of autonomy, expanding the activities of the new company, and increasing its market share (Dempsey 1, paragraphs 28 and 29). In particular, for domestic burners (50% to 79%) and for commercial products (3.5% to 10% over 10 years, Dempsey 1, paragraph 32). A similar expansion in business is also claimed for the RP's trade in spare parts from £800,000 pa in 1993 to an expected £2m in 2004. None of this is disputed by the applicants, though Mr. Lovgren states Lovgren 2, paragraph 14:

> "… that when the Proprietor i.e. EOGB Energy Products Limited states that they enjoy a substantial spare parts components business in the UK that any such business would have been built on the back of the sales of the second Applicants' EOGB Logo-branded products as well as the second applicants' pre-established and subsisting reputation in the EOGB Logo and related UK business contacts. The Proprietor was also "allowed" to supply all "direct" customers with spare parts, which over the years have been a not insignificant amount. This "spare part market" was effectively created by virtue of the Second Applicant's sale of burners in the first place. Therefore the Applicants created the demand for this spare part market."

33. Mr. Dempsey says that the RP has promoted its products under the mark at 'UK exhibitions', though he is not specific as to which, when and how. He also refers to the RP's national sales team, and states that the efforts to expand their business and goodwill has all been made by reference to the EOGB logo and mark. He says that products manufactured by third parties are promoted by reference to the brand name of the product concerned – the second applicant's products promoted under the BENTONE or STERLING marks, those manufactured by others under the relevant name – BALTUR or DANFOSS (Dempsey 1, paragraph 43).

34. In reply to this, Mr. Lovgren repeats his mantra that any trade under the EOGB sign – including the expansion of the RP business – would only have been to the second applicant's advantage (Lovgren 2, paragraph 17). In relation to the STERLING products, he cites Exhibit SOL7 (at Lovgren 2; a better copy is found in Exhibit SOL8 to Lovgren 4 – see paragraph 14), a download from the website of HRPC (described as the leading supplier of burner parts and components in the UK) which shows use of the EOGB mark together with the STERLING name, not on its own. He also refers to a brochure of the RP's (SOL8 Lovgren 2, again a better copy is found in Exhibit SOL9 to Lovgren 4 – see paragraph 14) – the only document of its kind in evidence – which Mr. Lovgren says acknowledges that the RP is a distributor of the second applicant and 'that the products which they distribute are made in Sweden (i.e. by the second applicant) with a reference to the trade mark ELECTRO OIL which is known in the

trade as EOGB trade mark.' I do not believe that anything in the evidence of Mr. Dempsey contradicts these assertions – but for the last one. There is the following statement from page SOL.9.8 of Exhibit SOL9, Lovgren 4:

> "The EOGB range of Commercial Gas Burners utilise state of the art technology and are precision engineered to provide high quality heating solutions with excellent reliability.
>
> Designed and manufactured by Bentone AB in Sweden, the burners are rigorously tested to international standards to ensure performance and environmental criteria are met. All burners are supplied and fully supported by EOGB Energy Products in the UK. The Bentone brand is available in over 50 countries worldwide."

I note that that this document is undated, and refers only to 'commercial' boilers and is incomplete. Mr. Dempsey states that is a photocopy of a very early brochure for EOGB Energy products. He adds that the document:

> ".. illustrates that right from the start in 1993 EOGB Energy Products was promoting and supplying a wide range of products under the EOGB trade mark and logo. The brochure refers under 'Comprehensive product range' to the '..Electro Oil brand of pressure jet burners developed and manufactured in Sweden by Bentone AB...' and under 'Spares a priority' to 'Stocked products from major manufacturers include Danfoss, Satronic, Landis and Gyr, Crosland, Aaco, and Kromschroder…'"

35. He also points out that in Exhibit SOL7 (Lovgren 1; SOL8 to Lovgren 4):

> "… the extract of the web site exhibited at SOL8 is not the proprietor's website and the products listed there are not just Bentone's products. Where the letters 'EOGB' are used they are followed by the Proprietor's own part number. i.e. the part number for the product that given to that product by the Proprietor (not necessarily the same number as given by the manufacturer of the product in question). It would appear therefore that the use of the letters 'EOGB' on that web site is simply a reference to whose part number it is."

<u>The Distribution Agreements</u>

36. There were two agreements: one made in 1993 when the RP was established, and the other in September 1995. I will examine each in detail.

37. The first of these agreements, dated 4th March 1993 (the first application – for the EOGB logo – was made on the 5th May 1995) states:

> "THIS AGREEMENT is made the FOURTH day of March 1993 BETWEEN EOGB ENERGY PRODUCTS LTD of London Road Woolmer Green Knebworth Hertfordshire (the Company) and BENTONE-ELECTRO OIL AB of PO Box 309 341 26 Ljungby Sweden (BEO)
>
> WHEREAS
>
> BEO carries on business as manufacturers and suppliers of Electro Oil Burners and their

components (the Products) and the Company carries on business marketing their products in Northern Ireland"

Which sets out the purpose of the contract: it is a distribution agreement: the second applicant would supply products, the RP would market and sell them. The agreement is limited to Northern Ireland. The next clause is the one that stimulated most debate:

> "1. The Company shall be entitled to use the abbreviation EOGB in the Company logo. The Company will represent BEO in Northern Ireland."

Mr. Lovgren says that this was put in '.. to retain the acquired UK goodwill of the second and third Applicant in the EOGB logo for EOGB goods.' On this point, Mr. Dempsey states (Dempsey 1, paragraph 52):

> "I disagree that either clause 1 of the 1993 agreement or clause 5 of the 1995 Agreement is either an assertion of ownership of the EOGB name or EOGB logo by the Second Applicant or can be construed as granting a licence or permission to the Proprietor to use the logo. Mr Lovgren was happy with myself and Sid Crossley's suggestion that our new company use the EOGB name and EOGB logo. Myself and Sid wanted something in writing to reflect the fact that our company was to be called EOGB and would use the EOGB logo and that is why there is a reference to it in the Agreements. I disagree with the statement in paragraph 8 of Mr Lovgren's witness statement dated 26 June which was made in respect of the invalidity action number 81088 that it was made clear that it was of the utmost importance to the Second Applicant that use by the Proprietor of the EOGB name or logo was to be on behalf of the Second Applicant. No such discussions took place."

38. The first agreement also includes the following, demonstrating, *inter alia*, that the RP was responsible for quality control:

> "3. The Company will physically and administratively handle all aspects of guarantee and warranty issues with their own personnel and at their own cost. Components within the guarantee period will be replaced by BEO. The Company will not be responsible for any third party claims including epidemic faults.
>
> a) The Company will with its own staff and in close co-operation with BEO retain contact with P Bassett's technical and commercial department
>
> b) The Company will assist BEO in negotiating prices and other terms with P Bassett
>
> c) The Company will assist BEO in any other way that BEO could reasonably expect in order to promote the business to P Bassett, excluding any major marketing cost
>
> d) In consideration of the above mentioned services a commission will be paid to the Company. The commission will be 5% of BEO's direct sales in 1993 and 4% in 1994 and shall be payable within days net"

39. Mr. Lovgren states, in reference to the last clause (d), that 'EOGB Energy would receive a commission for *any* sales they made on behalf of the second Applicant' (Lovgren 1, paragraph 3). I do not believe that this sits well with the wording of the contract, which refers to 'direct

sales' only which, one can infer from clause 2(a), are those delivered directly to the second applicant's customer 'P Basset', not via the RP (as a 'stock' item (see clause 2)). This interpretation fits with the context of clauses 3(a) to (d) which appears to be concerned with trade with that one firm. It is also supported by Mr. Dempsey (Dempsey 1, paragraph 58).

40. Turning to the second agreement, dated 14th September 1995, this applies to the most of the UK and is more detailed. A copy appears in Exhibit SOL4 (Lovgren 1). It is, as before, a distribution agreement:

> "2.1 BEO appoints the Company from the date of this Agreement as its exclusive distributor for the purpose of reselling, and supplying spare parts for, the Domestic Products and Commercial Products within the Territory."

41. I note that 'Domestic Products', 'Components', 'Products' and 'Commercial Products' have specific meanings in relation to BEO manufactured and supplied items.

42. The payment arrangement in the first agreement – in relation to direct sales – is maintained (Clause 2.2). Clause 5 states, as before, 'The Company will be entitled to use the abbreviation EOGB in their Company Logo.' Of this agreement, Mr. Lovgren comments (Lovgren 1, paragraph 4):

> "Clause 2.1 of the Second Agreement describes EOGB Energy as 'exclusive distributor for the purpose of reselling and supplying spare parts' for EOGB goods, branded with the EOGB logo. … Clause 7.1 stated that '(EOGB Energy) may only describe itself as (the second Applicant's) authorised distributor for (EOGB goods) in the Territory' i.e. the UK."

43. There are, however, none of the references to EOGB in the manner set out by Mr. Lovgren – BEO is the only trade name of the applicants' that is clearly used as such. In fact, the ELECTRO-OIL element of the name is now absent.

44. The RP is also non-exclusive distributor for 'Components', as defined (see Clause 2.3). Clause 2.4 states that the agreement shall remain in force for an initial term of three years and shall continue in full force and effect until terminated by either party. The agreement was thus in force on the date of the second application on 17th May 2002, as it was not terminated until 4th October 2002 (after one year's notice, as required).

45. Clause 4.1 states, *inter alia*:

> "The Company shall:
>
> (a) sell the Products on its own behalf and not on behalf of, or in the name of, BEO;
>
> (b) …
>
> (c) refer to BEO any orders or enquiries it may receive for Products to be sold or exported outside the Territory;

46. Clause 4.2 states:

"4.2 The Company hereby agrees that it shall not be involved directly or indirectly in the production or supply within the Territory of any products which compete with or perform substantially similar functions to the Products save where the Products do not meet the technical or performance requirements of a customer of the Company."

47. This clearly implies that the RP could trade in products other than those manufactured by the second applicants under the EOGB name.

LAW

48. The relevant sections of the Act are:

"47.-(1) The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in breach of section 3 or any of the provisions referred to in that section (absolute grounds for refusal of registration).

Where the trade mark was registered in breach of subsection (1)(b), (c) or (d) of that section, it shall not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered.

(2) The registration of a trade mark may be declared invalid on the ground -

(a) that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain, or

(b) that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied,

unless the proprietor of that earlier trade mark or other earlier right has consented to the registration."

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

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

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

(b) … ,

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

DECISION

Preliminary point

49. This was concerned with the admission of late evidence from the applicants, which I allowed into the proceedings. It was in the form of a Witness Statement from Roger Frederic Hancox, the Chief Executive Officer of the first applicant. Mr. Hancox refers to the 'H&V Index Desk Reference Book' – which he calls the leading industry reference book ('..designed to provide specifiers and buyers of industrial and commercial heating, ventilation, air-conditioning and refrigeration equipment with an easy-to-use, regularly updated guide to sources of supply'; see Exhibit RFH1) – which cites (Exhibit RFH2) under 'TRADE NAMES' 'Bentone Giersch' (the second applicant) coupled with the 'Manufacturer and Main UK Supplier' 'EOGB Energy Products' limited.

50. Mr. Hancox states that this 'asserts a continuing commercial link between the second applicant and the Registered Proprietor and reinforces the assertion …. that any reference to EOGB, whether as trade mark .. [or].. through use as a company name/trading style will cause the relevant trade sector to think of the second applicant'.

51. The rejoinder comes in a Witness Statement provided by Mr. Crossley, which I do not believe needs to be summarised. Largely because, as I said at the hearing, I did not regard either of these documents as being particularly helpful to either of the proponents (except in so far as my reference to Mr. Hancox's statement as made below (see paragraphs 75). Mr. Crossley's rather tortuous explanation was unnecessary because the extract cited above, in my view, does no more then assert that products of the second applicant can be obtained from the RP. No one, I believe, denies this. If the citation had indicated that EOGB products could be obtained from the second applicant, now, that might be something the latter would wish to crow about. As I say, it does not. Nevertheless, I allowed both Statements in on a *quid pro quo* basis.

52. I now wish to consider the substantive points in this case, starting with passing off. I do so because I believe that if I find that registration of the marks at issue could not have been prevented by the law of passing off, then it is highly unlikely, in the context of this case, that bad faith can be shown on behalf of the RP when they made the applications.

53. I have separated my decision in relation to passing off into the following sections, which require, for clarity's sake, some explanation:

> **Passing off and the nature of the goodwill at issue**. Here I consider the legal principles basic to passing off, and also give my view as to the nature of the property right in issue. That is, what is the goodwill under the name EOGB that the parties are scrapping over?
>
> **The Two Agreements**. Proper interpretation of these documents is essential. Do they provide for a licence to use the trade mark EOGB?
>
> **Case law and submissions**. I consider relevant case law, and arguments there on by the two parties.
>
> **The ownership of the Goodwill**. A summary of the findings of fact in this matter and, consequently, title to the goodwill.

54. Finally, I will turn my attention to the issue of bad faith.

Passing off and the nature of the goodwill at issue

55. The common law right of passing off is clearly set out by Geoffrey Hobbs QC, acting as the Appointed Person, in *Wild Child* [1998] 14 RPC, 455:

> "A helpful summary of the element of an action for passing off can be found in *Halsbury's Laws of England* 4th Edition Vol 48 (1995 reissue) at paragraph 165. The guidance given with reference to the speeches in the House of Lords in *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 and *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] ACT 731 is (with footnotes omitted) as follows:
>
> > (a) that the plaintiff's goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature;
> >
> > (b) that there is a misrepresentation by the defendant (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by the defendant are goods or services of the plaintiff; and
> >
> > (c) that the plaintiff has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant's misrepresentation."

56. I want to start with the issue of goodwill. At the relevant dates (see next paragraph), there is no doubt – and I will come to the evidence of this shortly – that goodwill under the name EOBG existed. Both the parties agreed that it did. The ownership of that goodwill is under dispute.

57. At the hearing, Mr. Malynicz stated:

> "We say that this case really stands and falls on the question of ownership of the goodwill and what happened to the goodwill … If you are with me on that, then use of that mark is going to be a misrepresentation. Secondly, there is going to be damage because of the closeness of the fields of activity and closeness of the goods. It does actually turn on the question of goodwill …"

I agree.

58. As to the relevant dates, there appear to be two. Following *Cadbury Schweppes Property Ltd v The Pub Squash Co Ltd* [1981] RPC 429, 494 as per Lord Scarman (also cited in *Inter Lotto (UK) Ltd v. Camelot Group* plc [2003] EWCA Civ 1132) this is taken to be the date of the commencement of the conduct complained of. As a consequence of this, I must separate events into two parts, because there are two relevant dates: that when the first mark, the EOGB logo (№ 2019687), was registered – the 5th May 1995 – and when the second mark was registered (№ 2300783) – the 17th May 2002. Examination of the periods of time leading up to those dates is necessary in determining the ownership of the goodwill at issue.

59. At the hearing, Mr. Malynicz listed four periods that he regarded as needful of analysis (taken from his skeleton argument):

> "The "pre-agreement period" covering 1987 to the beginning of 1993;
>
> The "first agreements period" covering 4-3-93 to 4-3-95;
>
> The "hiatus period"' between agreements covering 4-3-95 to 14-9-95; and
>
> The "second agreement period" covering 14-9-95 to 4-10-02."

60. In terms of illuminating the nature of the property right at issue (but not, perhaps, its title) it seems to me that these periods can be separated in two: the period when the third applicant was trading (1987 to the beginning of 1993), and that of the RP's trade, up to the application to register the second mark (1993 to 17th May 2002).

61. In my considerations, I make no distinction between the two marks, which are essentially EOGB marks; the small stylisation in the first registration No. 2019687 is, I believe, of vanishing significance.

62. From my summary of the evidence in paragraphs 9 to 15 above, as Mr. Malynicz points out, the third applicant was trading in the UK under the EOGB mark in the goods relevant to the registrations at issue, from 1988 onwards. How this mark was used is disputed. There appears to have been some use on the goods themselves (burners manufactured in the UK by the third applicant) for a period of time 'around' 1988 to 1990. The RP states that use of the name was confined to stationery – not extensively on packaging, boxes, invoices, notepaper, etc. as suggested by Mr. Lovgren and Mr. Malynicz . The only material evidence is headed note paper (Exhibit SOL2, Lovgren 1). There is no indication from either party as to how many branded items were sold. Mr. Dempsey states that the items, though 'marked "made by Electro Oil and Gas Burners Ltd."' and bearing the EOGB logo, were known under and by reference to the model name and number' (Dempsey 1, paragraph 43). This is not denied by Mr. Lovgren. The trade in EOGB marked items ceased in 1990.

63. During all this period, as Mr. Dempsey points out (and, again, not denied by Mr. Lovgren), the third applicant was also selling goods made by third parties. According to Mr. Dempsey the business activities of the third applicant stopped in 1992.

64. In the second, third and fourth period set out by Mr. Malynicz, the RP is established, trades and becomes successful. The detail of this trade is set out in my summary of the evidence above (paragraph 16*ff*). It seems to me clear from this evidence that the nature of the goodwill in the name EOGB is in the supply of burners and heating products to, in the main, the non-consumer market, but also including items that find use in the domestic and commercial arenas, plus spare parts and 'specialised products'. There is some reputation as a manufacturer limited to specific commercial products (see Dempsey 1. paragraph 19), however, as Mr. Dempsey himself says, this work is carried out without regard to branding. Nevertheless, EOGB appears as a company identifier: it is not used on the goods themselves.

65. On the whole, this reputation, in my view, amounts to that of, in effect, a retailer to the trade. That is (in the main), a sort of 'Tesco's' to the trade for goods manufactured by others. This is

certainly the reputation the RP has developed from its inception through to the first, and up to the second, relevant date. And, it appears, on the admittedly slender evidence I have seen, that the third applicant owned a goodwill of similar character. Though the latter covers the first period set out by Mr. Malynicz, and involved some construction and sale of burners under the EOGB brand, this is unspecified and, I believe, even at the first relevant date (five years after the 'branded product' trade ceased), only of atavistic memory, swamped as it would be by the overwhelming trade reputation as supplier and stockist of items made by others. This is the goodwill under the name that is at issue in this case.

The Two Agreements

66. A recent statement of the English law on construction of contracts is contained in the House of Lords case of *Bank of Credit and Commerce International SA (in liquidation) v. Ali* [2001] UKHL/8, [2001] 1 All ER 961 (*BCCI*). Their Lordships were concerned with the proper interpretation of a general release signed by an employee of BCCI on redundancy but accepted that there were no special rules to be applied to the interpretation of general releases. Lord Bingham of Cornhill set out the relevant general principles (at para. 8):

> "In construing this provision, as any other contractual provision, the object of the court is to give effect to what the parties intended. To ascertain the intention of the parties the court reads the terms of the contract as a whole, giving the words used their natural and ordinary meaning in the context of the agreement, the parties' relationship and all the relevant facts surrounding the transaction so far as known to the parties. To ascertain the parties' intentions the court does not of course inquire into the parties' subjective states of mind but makes an objective judgment based on the materials supplied."

Lord Hoffmann stated (at para. 37):

> "What would a reasonable person have understood the parties to mean by using the language of the document against all the background which would reasonably have been available to them at the time?"

67. I was also referred to *Investors Compensation Scheme Ltd v West Bromwich Building Society* [1998] 1 WLR 896 at 912 (again, Lord Hoffman), which *BCCI* echo's:

> "Interpretation is the ascertainment of the meaning which the document would convey to a reasonable person having all the background knowledge which would reasonably have been available to the parties in the situation in which they were at the time of the contract…
>
> If one would.... conclude from the background that something must have gone wrong with the language, the law does not require the judge to attribute to the parties and intention which they plainly could not have had."

68. The two agreements are, on their face, primarily distribution agreements: they contain nothing, as Ms. McFarland pointed out at the hearing, that one might expect to be usually present in a formal trade mark licensing contract – references to goodwill, use of a trade name on products and the like. The lack of a reference to goodwill in the agreements is also pointed

out by Mr. Dempsey (Dempsey 1, paragraph 54). However, as the review of the case law carried out below indicates, this is not fatal to these documents having the effect of a licence to use the mark (see *Roberts v Davis*, cited by Mr. Malynicz, and discussed below).

69. And, as Mr. Malynicz pointed out at the hearing, the inclusion of clause 5 in the second contract, and clause 1 in the first, rather invites the question why did the RP sign the documents if there was no recognition that the second applicant had some right in the name? Mr. Malynicz contended that the clauses not only amounted to a such a recognition, but were a permission to use and, thus, a licence:

> "If you were in a contract which included a term relating to entitlement, as night follows day that must mean that you regard the other party as granting that entitlement. … [it] has no meaning other than a licence."

70. Nevertheless, as both *BCCI* and *ICS* contend, the documents must be understood as a whole, and against the background of the matrix of facts that informs the interpretation of the words used.

71. In my view, both are contracts relating to the sale of the second applicant's goods in the UK. They are not intended to be contracts about use of the marks in suit. This seems very much ancillary to the documents themselves, which refer solely to use of the EOGB name in the company title, and not to use as a mark of trade in a more general sense. It is hard to believe that Mr. Lovgren is correct in his statements about the importance of the EOGB logo to his company (Lovgren 2, paragraph 9), in view of this, as the reference in the agreement seems to be of passing significance in the documents as a whole. It is a tenuous basis on which to state, so categorically, that the clause 1 (in the first agreement) and clause 5 (in the second) was enough to 'retain' for the second applicant the goodwill generated by the extensive, independent and varied activities of the RP (see Lovgren 1, paragraph 3).

72. A further facet of this matrix is that of the chain of title of the goodwill that existed under the marks in dispute. This is relevant to my overall findings in this case (see paragraph 113) – that is, I will return to this point – but it is also relevant here. A constant refrain of Mr. Lovgren's is that any goodwill under the name EOGB generated by, first, the third and then, the RP, was mapped back to the second applicant:

> "The purpose of the EOGB logo was to serve as a house trade mark for in effect the second Applicants via their new UK trading subsidiary namely the third Applicants, who were incorporated in 1987. ….. As a wholly owned subsidiary of the second Applicants, the assets of the third Applicant and any goodwill acquired by the third Applicant would accrue to the benefit of the second Applicant. Indeed the reason for commissioning the EOGB logo was so that the second Applicant, through the activities of its wholly owned subsidiary namely the third Applicant in the UK could acquire a trading presence and reputation in the UK; since the EOGB goods emanated from the second Applicant, in time the EOGB logo came in effect to represent both the third and the second Applicants in the UK." (Lovgren 1, paragraph 2)

73. I, however, observe the following from Dempsey 1:

> "65. I note that in his witness statement Mr Lovgren states that the Third Applicant was and is a wholly owned subsidiary of the Second Applicant and that the Second Applicant

is a wholly owned subsidiary of the First Applicant. At Exhibit 'JD6' there are copies of Companies House records relating to the Third Applicant. These show as follows:

65.1. as at 14 May 1987 the shares in the Third Applicant were owned by:

65.1.1. Saab-Scania Enertech Group Ltd - 1

65.1.2. Saab-Scania Enertech AB - 99

65.2. as at 31 August 1989 up until 3 November 1999 the shares in the Third Applicant were owned by:

65.2.1. Enertech Limited - 99

65.2.2. Enertech Industries AB - 1

65.3. as at 3 November 2000 the shares in the Third Applicant were owned by:

65.3.1. Enertech Limited - 99

65.3.2. Wolsely (Group Services) Limited - 1

65.4. as at 3 November 2001 the shares in the Third Applicant were owned by:

65.4.1. Mowgarg Limited - 99

65.4.2. Wolsley (Group Services) Limited - 1

65.5. as at 3 November 2002 the shares in the Third Applicant were owned by:

65.5.1. Mowgarg Limited – 100.

66. I believe that the three majority shareholders as shown above are in fact the same company. Saab Scania Enertech Group changed its name to Enertech Limited in 1980 which was changed again in 2001 to Mowgarg Limited. Copies of the Companies House records of the name changes are exhibited at exhibit 'JD7'.

67. I therefore dispute that the Third Applicant is a wholly owned subsidiary of the Second Applicant or that it has any entitlement to bring these proceedings.

68. I further deny that, if the Third Applicant had any assets or goodwill in the logo at the relevant time, these would accrue to the benefit of the Second Applicant or any other person. Being an entirely separate entity any assets or goodwill accruing to the Third Applicant are the property of the Third Applicant. I do not understand on what basis Mr Lovgren claims that any other person is entitled to the assets of the Third Applicant either legally or otherwise."

74. I consider that Mr. Dempsey is in error, in relation to his point about the applicants being able *to bring* these proceedings. None of the above affects their right to take this action against the

RP (see s. 47(3) of the Act). However, the 'chain of title' issue has, I believe, more extensive implications. In response to this evidence of Mr. Dempsey, Mr. Lovgren states that (Lovgren 2, paragraph 27):

> "At the date of entering into the first Agreements (1993), the second and third Applicants were both wholly owned subsidiaries of the same parent company. The third Applicant then became dormant although it is still in existence. As a result of the third Applicant becoming dormant in 1993 the second Applicant picked up the threads of the third Applicant's business and goodwill, including EOGB/EOGB Logo. I believe this confirmed by the fact that EOGB Energy Products Limited entered into the First and Second Agreements with the second Applicant, in full recognition and acceptance of the fact that the second Applicant, was (and still is) the proprietor of EOGB/EOGB logo and thus entitled to confer the UK distributorship upon EOGB Energy Products Limited."

It seems to me that Mr. Lovgren is missing the point here. There is no evidence of chain of title that finishes up at the door of the second applicant. As he states, the latter was, with the third applicant, a wholly owned subsidiaries of the same parent company (see also Lovgren 2, paragraph 19). The only evidence he has that the rights earned by the third applicant under the name EOGB might in someway be held by the second applicant is if one interprets the clauses in the two agreements as granting a trade mark licence. There is an element of circularity in the applicant's position here: the presence of the clauses are indicative of trade mark ownership by the second applicant; the clause could only have been put in because the second applicant owned the mark. As I point out below, there is another explanation for the inclusion of these clauses, as provided by Mr. Dempsey.

75. I also note the Witness Statement of Mr. Hancox, the CEO of the first applicant. He makes no reference to licence or granting of rights under the EOGB logo that might, as of 1993, have accredited to second applicant the goodwill generated by the activities of the third. Instead, he refers only to evidence of Mr. Lovgren (which I have rejected on this point) as evidence that EOGB was indicative of the second applicant (Hancox, paragraph 4).

76. I think it would be useful, here, if I somewhat laboured the point I am making, as there are a number of consequences that follow from Mr. Dempsey's finding that the third applicant was not, in fact, the trading subsidiary of the second applicant, but the wholly owned subsidiary of the first applicant. First, the reliability of the statements made in this regard by Mr. Lovgren must be doubted. It appears that the second applicant had no legal control over the third at all. Next, it is hard, in view of this observation, to see how the goodwill under the EOGB name generated by the third applicant would ever accrue to the second applicant: it would go to the third applicant by chain of title.

77. Returning to the two agreements made by the parties – and this is part of the matrix of facts that one must bring to the interpretation of those two documents – if the second applicant had no legal control of the third, and therefore no right to its assets, including the goodwill for which EOGB is the cipher, then how could it grant permission to use the EOGB sign? The latter rather supports the view that the clauses relating to use of the sign in the company logo were incorporated into the two agreements at the instigation of the Messrs. Dempsey and Crossely to reflect the fact that the RP was to be called EOGB and would use the EOGB logo (Dempsey 1, paragraph 52). In other words, that they had, in effect, *carte blanche* in the use of the name – and the clauses were included to remove any doubt in relation to a mark and its use as the trading name of the new company, in the context of residual rights retained by the

third applicant and, possibly, the first. The appearance of the same in the later agreement as well can be taken as a ‘carry over’ from the first agreement.

78. I note that Mr. Lovgren does not challenge the explanation, given by Mr. Dempsey, that the clauses were suggested at the instigation of Messrs. Dempsey and Crossely. (In passing, if it was included at the request of employees of the RP, this does not fit well with his contention that the mark was of ongoing importance to his company).

79. Mr. Dempsey’s submission is that the applicants were withdrawing a direct trading presence from the UK market and abandoning use of the EOGB mark as such. As I have stated, there is no material evidence from the time of the formation of the new company that this was the case. However, what happened subsequently seems to support this view. I note the independence exercised by the RP in the markets it developed and the control of its trade activities in general, all conducted under the banner of the EOGB name. The events that followed, particularly the sales of the second applicant’s goods under the BENTONE and ELECTRO OIL marks, suggests to me that, during the relevant periods, the second applicant was only interested in sales of its own goods under those names, there being little or nothing to suggest that they were as passionate about the maintenance of rights under EOGB as they now indicate in Mr. Lovgren’s evidence. Against this vacuum of control, or even interest, in the subsequent expansion of the business under the EOGB name, suggests to me that the parties were wholly focused on a contractual relationship related to distribution of the second applicant’s goods in the UK. My sense from all this is that the second applicant did not care about the latter was used, as long as the distribution relationship between the two parties prospered. All of this is part of the ‘matrix of facts’ that surround the agreements. Taken overall, this smacks to me of acquiescence in the use by the RP, even abandonment. The so called permission to use the name can be read as concurrence in the RP’s use of EOGB as their trading brand and, eventually, a loss in the identification of that name with the applicants.

80. At the hearing, Mr. Malynicz made much of the use of the word ‘represent’ in the agreement: ‘I am representing my clients today. I am not here on my own account. Everything I say is for them. It is for their benefit or detriment.’ I think that the import of words must be understood in the context in which they appear. The RP is required to represent the second applicant as the distributor of its goods within the terms of the agreement. This does not envelop ‘everything’ they say and do in trade, and the agreements are clear on this.

81. Returning to the content of the agreements themselves, with the exception I mention below, this is not directed to ‘branding’ as such, and least of all to the EOGB name. I note that within the second agreement the second applicant is called ‘Bentone AB’ and ‘BEO’. The appellation ‘BENTONE-ELECTRO OIL AB’, present in the first agreement, is absent from the later contract. The latter is the closest the applicants come to anything in these written understandings that might be related to the EOGB name. But, as I find later, there is still clear blue water between them (see my discussion of Exhibit SOL9 to Lovgren 4 at paragraph 115). The main trading name of the second applicant is very much that of BENTONE, as the evidence of their subsequent business shows.

82. Clause 9.3(a) is the only exception to the issue of branding. This states that, on termination of the agreement ‘for any reason’:

> “… the Company shall not represent that it is still in any way connected with BEO and shall not carry on business under any name or style or in such a manner as to cause

confusion with BEO's business..'

83. This clause is general. It is the only reference in the two agreements that might be taken as a reference to marks of trade. In the context in which it appears it certainly refers to the RP holding themselves out, after termination of the agreement, as the second applicant's distributor, but also extends beyond this to branding in general. I think the clause has its own answer within it: the brand in question is BEO. Bentone Electro Oil. Not EOGB.

84. As for clause 7.1 it allows the RP to hold itself out as the second applicant's distributor in the UK only: it is irrelevant to the issues of branding. This clause is a territorial confinement of the distributorship of the RP. I do not see that it restricts the activities of the RP *in* the UK, as the evidence shows, it clearly did not.

85. Further, I note in the second agreement that 'the Company' (clause 1.1(a)) shall:

> "(a) sell the Products on its own behalf and not on behalf of, or in the name of, BEO;"

This seems to indicate that the trade in the second applicant's products is on behalf of the RP, not on behalf of the second applicant. It is certainly hard to reconcile this clause with the interpretation of the agreements proffered by Mr. Lovgren, that they provide a water tight conduit of the goodwill generated under the EOGB name back to the second applicant. This clause rather supports the view that the applicants, in fact, but also in intention, determined to exercise little control over the business of the new company.

86. As before, the RP is responsible for the on going servicing etc. of the 'Products' sold (Clause 4.4), and it clearly envisages the sale of non-BEO branded goods (see clause 4.2, which implies that products *not* in competition with the second applicant's can be sold) – very much the case from the future activities of the RP, as the evidence shows. This is a difference from the situation found in *Roberts*, where the judge placed emphasis on his finding that the contract between the parties bound Mr. Davis to sell no other product other than those of the plaintiff.

87. In summary, I do not believe that the two agreements amount to a permission to use EOGB on behalf of the second applicant. There is no evidence that the second applicant had any such right, and the documents do not, in my view, add up to the same, when all the surrounding circumstances are considered.

<u>Case law and submissions</u>

88. My attention was directed to the following cases by Mr. Malynicz:

> *Van Zeller v. Mason* (1907) 25 RPC 37,
> *Roberts v. Davies* (1936) 53 RPC 79,
> *Manus v. Fuftwood & Bland* (1949) 66 RPC 71; and
> *Bostich Trade Mark (Validity)* [1963] RPC 183.

Which he stated established the position regarding the ownership or goodwill in this case is well in the applicant's favour. I think I beg to differ, for the matter is not as straightforward as that. The accrual of common law rights in under the tort of passing off is 'made to measure' in each case being, of course, a matter of fact and I feel should approach the above cases with caution. This echoes the sentiment of Lord Oliver in *Reckitt & Colman*:

> "Although Your Lordships were referred in the course of argument to a large number of reported cases, this is not a branch of the law in which reference to other cases is of any real assistance except analogically. It has been observed more than once that the questions which arise are, in general, questions of fact."

And all these cases can be distinguished on their facts.

89. *Van Zeller* is a typical example. The Defendants, on the basis that they had used the name KÖPKE RORIZ for many years and sold wines under that name from differing sources, believed that the name had become ineradicably associated with them. The judge, however, determined that the Roriz element of the name was indicative of a particular vineyard (Quinta de Roriz), and the Defendants were misrepresenting the origin of the port wines in question. Mr. Malynicz's point was:

> ".. as here, the defendants tried to argue that the fact that they had imported some non-Roriz wine somehow meant that the mark was no longer distinctive of the Roriz vineyard. Quite similar to the argument we ran earlier in relation to third party burners and boilers. They tried to say, 'We sold and dealt in other goods, not just the applicant's goods.' It is a question of fact whether that mark is distinctive of a specific business."

90. The first aspect in which this case is not on 'all fours' with the matter in suit, is that the nature of the goodwill at issue is different. As I have found, the goodwill under EOGB is, in my view, associated with the supply of heating goods from a number of sources and not indicative of any one product, or any product at all. The judge in *Van Zeller* found that RORIZ was associated with a product from a single geographical source – hardly surprising when wines are considered, which, perhaps, makes any 'mapping' on to another set of circumstances even more problematic (an example of the 'bespoke' nature of the law of passing off).

91. Further, as pointed out by Ms. McFarland, the defendant in *Van Zeller* admitted there was a connection between the plaintiffs and the name at issue (*Van Zeller*, page 40, line 45). Here they do not. And nowhere have the applicants stated that the RP was misrepresenting them in selling products in addition to those they supplied themselves. As I discuss above, the agreements do not disallow this. As for the point made by Mr. Malynicz above, I agree that this matter will be determined as a matter of fact. And the facts here are different. As I have implied, the source of a wine – as indicated by a name – is of peculiar importance in that industry in general, and of specific significance in *Van Zeller*. The protectable goodwill here is of quite a different species. The fact that the RP sold goods from a range of manufacturers illuminates the nature of the reputation under the name EOGB, a reputation that existed before the RP was itself was established.

92. In reference to *Roberts v. Davies*, again there are key differences of fact. Mr. Malynicz pointed out that the claimants in that case had never traded in this country and the licence agreement between them was of an informal nature (there was no written record thereof). He states:

> 'It did not deal with the specifics of where the goodwill was to be allocated or generated. It did not mention royalties or other "standard terms" … It simply was a "new arrangement"'.

93. However, we are again considering a different species of goodwill – that associated with specific branded products ('numbering machines'). The judge found a protectable goodwill in favour of the American manufacturer in that case, for very good reasons (see *Roberts*, page 85 and 86). In particular, the name at issue was stamped on the items sold ('the Roberts Numbering Machine Company'), as was their place of manufacture (the USA), and business stationery made much of the connection with the American source. Luxmoore J stated:

> "… as the result of this practice the Plaintiff Company's name could not fail to become identified here as the manufacturers of the machines sold by Mr. Davis, … I have no hesitation in holding that … the Plaintiff Company acquired a sufficient reputation for its machines, which admittedly were sold in large numbers in this country, to entitle it in ordinary circumstances to seek the protection of the Court".

94. Further, though Mr. Malynicz is correct that the agreement contains no reference to royalties and goodwill, the judge clearly inferred a licence to use the name from the conditions of the agreement and the surrounding circumstances (see my discussion on this point in paragraph 79 above) which, as I have said, are different to this case.

95. As to the *Manus* case, any similarities with the existing matter are purely superficial. Here, again, goodwill was generated under the MANUS mark for specific goods (milking machines), manufactured by the Swedish plaintiff, but sold in the UK by the defendant, for over 10 years before the second world war and under a licence agreement for over a year. Then, from 1941, during the war, by the defendant in this case – who argued that the latter use made the mark distinctive of him as the items were made by him from 1940 onwards. The Court of Appeal disagreed. First, the licence agreement clearly related to trade mark rights (page 75, line 36):

> "… it is made manifest that the application of the word 'Manus' to the machines made by the Defendants in accordance with the agreement *was intended to keep the Plaintiffs' name and goodwill alive in the English market notwithstanding the war*" (my emphasis).

I have not found this to be the case here. Also, despite their manufacture of the goods at issue, the defendants made much of the earlier connection with machines manufactured under the MANUS name. Though the machines were 'wholly made by the Defendants in England',

> "… the Defendants were at pains in their advertising literature of the period … themselves to emphasise the business identity of the machines then being made and marketed by them with the earlier "Manus" machines. This was indeed the main object of, and (as I read it) the Defendants' duty under, the agreement. The Defendants were claiming for the goods of their own manufacture the benefit of the reputation which the Plaintiffs' name had already acquired; and as between the Defendants and the Plaintiffs there can, in my view, be no doubt from the terms of the agreement itself that the name was treated as and was in fact the Plaintiffs' property." (as per Evershed, LJ).

The agreement was a very different 'beast' in that case to the one in this. Likewise, the RP here has performed its duty under the agreement (this, in my view, is shown in SOL9 to Lovgren 4, on which the applicants rely) – but that cannot, in my view, be construed as one related to rights under the name EOGB. It was a duty in relation to a distributor of goods under the BENTONE and ELETRO OIL brands, as per the first agreement, and under the BENTONE brand as per the later agreement[1].

96. In *Bostitch*, Mr. Malynicz referred 'only' to the following passage (apart from the obvious that the case involved '… yet another local UK distributor trying to take for itself the benefit of the goodwill generated on behalf of the foreign claimant'). The judge in this case says (top of page 197):

> "There is nothing in the Trade Marks Act, or in the principles of trade mark law which have been developed there under which requires a proprietor of a registered trade mark to refrain from introducing modifications or variations in the goods to which he applies his mark or in the manner in which they reach the market. If he should find it convenient to transfer manufacture from one locality to another, or procure his supplies from sub-contractors, or arrange for assembly of completed articles by someone of his choice in lieu of doing it himself, these and a vast number of other possible changes in procedure are his sole concern."

He then stated:

> "That is what we say happened on 4th March 1993. We simply, as we were entitled to do, came up with a different delivery method. Two former employees of our own company set up a local distributorship. They were contractually obliged to represent us. They were entitled to use our name and so, I say, this passage supports … someone in our position in that we can, and were entitled to, regulate our affairs in that manner without jeopardising the goodwill."

Ms. McFarland, pertinently commented

> "In a sense this is just a circular argument. My learned friend says that the trade mark owner can choose all sorts of things and can control all sorts of things. We say, quite so, if he is established as a trade mark owner…"

Which is the key point.

97. Anyhow, in my view, *Bostitch* is no closer to this case than any of the others cited. First, the nature of the reputation at issue is different – as it has been with all the citations. And, next, the overseas manufacturer was the proprietor of a UK registered trade mark; there is no such here. In *Bostitch* a UK distributor, whose agreement with the overseas manufacturer had terminated, sought to expunge the mark as deceptive, because they had used the mark in relation to goods not supplied by the overseas licensor and not under their control. The proprietor succeeded in fighting off the attempt to expunge. Again, there are superficial likenesses with the instant case, but that is all they are. I note the following passage – which is analogous to that in *Manus* above:

1 Though the second agreement uses the acronym BEO, this is defined as BENTONE AB, not BENTONE ELECTRO OIL.

> "Bostitch Inc. were imposing their identity upon the articles produced … and thus saving goods made by other hands from being fairly regarded as goods of other makers. That this conception of the position was understood and adopted by McGarry & Cole Ltd., until the imminence of a break between the parties obscured it, is amply established not only by the correspondence and payment of royalty, but, in relation to the B8 machine, by their advertisement of it as 'The Wonder Stapler, fully guaranteed by the name BOSTITCH known all over the world, famous for 50 years and identifying a range of 780 different machines'…".

I also note the following, in relation to acquiescence, which follows on from the passage quoted by Mr. Malynicz:

> "The test of his [the proprietor of a mark] actions is in consequence this: has he authorised such use of the mark as to deprive it of its very reason of existence, namely, as a mark which should distinguish his goods from the goods of other makers. It is to be noted that only such acts as he has been shown to have authorised (or acquiesced in) can be used against him…."

This quote, in the context of my comments in relation to the agreements (see paragraphs 76*ff*) is very apposite.

98. At the hearing I referred to the decisions of the Court of Appeal in *Scandecor Development AB v Scandecor Marketing AB* [1999] F.S.R. 26 and the subsequent appeal to the House of Lords ([2002] F.S.R. 7), and to *Medgen Inc. v Passion for Life Products Ltd* [2001] F.S.R. 30, and the parties supplied written submissions on these cases after the hearing.

99. Mr. Malynicz pointed out that *Scandecor*, in particular, has a rather uncertain status in law following the settling of the parties before the questions referred to the ECJ by the House of Lords were answered and Lord Nicholl's (paragraph 58) statement that the further conduct of the appeal should be adjourned while the Court of Justice was consulted. He also referred me back to the facts of this matter as being determinative of the ownership of the goodwill at stake. This, in his view, was also the case in *Medgen*, where, as he points out, there were different findings of fact:

- MedGen, the claimant in that case, had never traded in the UK directly;

- The contract between MedGen and PfL was of the most simple kind, with little or no express terms. That in this case was much more detailed – notably that the RP was to 'represent' the applicants in the UK, and was to 'only describe itself as BEO's authorised distributor for the Products in the Territory';

- In *MedGen* there was no later agreement between the parties to refer to MedGen in packaging or advertising. The instant case had such an agreement, which was complied with (see Exhibit SOL9); and

- But for the first two shipments of product in *MedGen*, none of the packaging or advertising referred to the US company. In this case, there were direct sales, and also contractual obligations upon the RP to act as representative and to make reference to itself 'only' as the applicant's authorised distributor.

100. Most of these comments are, in my view, in error. They are based on a faulty interpretation of the distribution document, and I have discussed this above. I agree, however, that the facts in *MedGen* are not on all fours with the present case. Ms. McFarland also expressed caution in relying on *Scandecor*, stating that it must be regarded as of only persuasive authority at best, and distinguished *MedGen* in certain respects from this current case. But pointed out that case:

> ".. set out a number of guidelines, which can be a useful aid to establishing proprietorship of any goodwill accruing during the terms of distribution. Some of the guidelines are applicable to the facts of the EOGB case and many are simply absent …[they] are not exhaustive or necessarily determinative, but … are a useful guide, and can, to a material extent be answered in favour of EOGB in the present case. They are set out in the judgment at paragraph 51. In the EOGB case, the Applicants had abandoned their place of business in the UK prior to the establishment of EOGB and the entering into of the first contract, and they carried on no business here at the relevant time. All marketing and sales decisions and efforts were carried out by FOGB who promoted themselves as independent distributors. There was an absolute prohibition against any agency or any liability being incurred by EOGB on behalf of the 2nd Applicant, and all warranties etc were offered, serviced and undertaken by EOGB, not by the manufacturer. It is clear from the evidence submitted that he trade and customers associate the suppliers as 'EOGB' in the UK and would turn to them for support, after sales service or to remedy any defects etc."

Ms. MacFarland also referred to the following passages, editing them to apply to the RP:

> "… there is no evidence that [the trade] would be concerned as to who had been responsible for the original development of the product, or as to who had manufactured the product. On the contrary, I think it can be inferred that they would be indifferent to these things. If the product failed to live up to their expectations they would have blamed [EOGB]."

> "[EOGB] … feels that it is only through their hard work that the product has been as successful as it has been in the UK…"

101. I note the comments in relation to caution made by both parties. However, I believe that there are resonances of fact and law I can take note of in these two cases, *Medgen* in particular.

102. In *Medgen* goodwill is defined as the benefit and advantage of a name or get-up, and is the attractive force which brings in business, and that passing off action is a remedy for the invasion of a right of property in the business or goodwill likely to be injured by any actionable misrepresentation. Goodwill does not exist apart from the business to which it is attached. Consequently:

> "As such, goodwill is local in character. Goodwill in relation to a business carried on in the U.K. attaches to that business. It is nevertheless legally and factually possible for a business based overseas to acquire a goodwill in this country by the supply of its products through an agent, licensee or distributor. Whether it does so or not depends on

> the facts of the case, in particular, what was done and by whom. With whom do the relevant members of the public associate the name and get-up? Are they concerned with the quality and price of the product or the original source of the product?"

The 'key' question in *Medgen* can be restated for this case: Who has proved that the name EOGB is associated in the minds of the relevant persons specifically and exclusively with it and with its products? In other words, is the name associated exclusively with applicants or with the RP? Or both?

103. Kevin Garnett, Q.C., who was sitting as a deputy judge of the High Court in *Medgen* noted (in keeping with the finding in *Scandecor*) that '..a conclusion that the name and packaging is associated exclusively with both parties (but no one else) is legally possible but a surprising and unsatisfactory state of affairs. It is also one which neither party has advanced in this case'. I intend to resist such a finding unless the facts force it upon me. Finally, I note also from *Medgen* that there is no rule of law or presumption of fact which says that the goodwill generated by the trading activities of a wholly owned subsidiary belongs to the parent or is the subject of any kind of licence. Again this is a matter of fact.

104. Finally, before I consider the facts of this case, I would also like to refer to *Wadlow* (The Law of Passing Off, 2nd Edition, especially at 2.60 and 2.62-2.63). In paragraph 2.53, *Wadlow* states (footnotes removed):

> "There are two distinct, and not necessarily consistent, standards in this passage. One is to ask who is in fact most responsible for the character or quality of the goods; the other is to ask who is perceived by the public as being responsible. The latter is the more important, but it does not provide a complete answer to the problem because in many cases the public is not concerned with identifying or distinguishing between the various parties who may be associated with the goods. If so, actual control provides a less conclusive test, but one which does yield a definite answer.
>
> To expand, the following questions are relevant as to who owns the goodwill in respect of a particular line of goods, or, *mutatis mutandis*, a business for the provision of services:
>
>> (1) Are the goods bought on the strength of the reputation of an identifiable trader?
>>
>> (2) Who does the public perceive as responsible for the character or quality of the goods? Who would be blamed if they were bad?
>>
>> (3) Who is most responsible in fact for the character or quality of the goods?
>>
>> (4) What circumstances support or contradict the claim of any particular trader to be the owner of the goodwill? For example, goodwill is more likely to belong to the manufacturer if the goods are distributed through more than one dealer, either at once or in succession. If more than one manufacturer supplies goods to a dealer and they are indistinguishable, the dealer is more likely to own the goodwill.
>
> If none of these gives a result, the goodwill may generally be assumed to belong to the actual manufacturer of the goods."

105. It appears from *Wadlow* that the factual perception in the marketplace will determine the matter. Where a UK business is held out as representing the foreign one, either expressly or by implication, and quality control is the predominant responsibility of the foreign business, then it is likely that the goodwill will belong to the latter. Relevant here is *Reuter v Mulhens* (1953) 70 R.P.C. 253, where the parent company was found to own the goodwill in the UK because it was found to be responsible for the quality of the goods sold (see *Wadlow,* paragraph 2.63).

106. Finally, before moving on to the facts in this case, I want to consider the issue of residual goodwill. The concept of residual goodwill, a goodwill subsisting after the demise of a business is clearly established (see *Star Industrial Company Limited v Yap Kwee Kor (Trading As New Star Industrial Company)* [1976] FSR 256, *Ad-Lib Club Limited v Granville* [1971] FSR1, *Thermawear Limited v Vedonis Limited* [1982] RPC 44 and *Sutherland v V2 Music Ltd* [2002] EMLR 28. In *Ad-Lib Club Limited v Granville* [1971] FSR1 Pennycuick VC stated:

> "In support of that statement there is cited the case of *Norman Kark Publications Ltd. v. Odhams Press Ltd*., [1962] 1 All E.R. 636; [1962] R.P.C. 163 in which the first paragraph of the headnote reads:
>
> > 'In an action to restrain the use of a magazine or newspaper title on the ground of passing off the plaintiff must establish that, at the date of the user by the defendant of which the plaintiff complains, he has a proprietary right in the goodwill of the name, viz., that the name remains distinctive of some product of his, so that the use of the name by the defendant is calculated to deceive; but a mere intention on the part of the plaintiff not to abandon a name is not enough'.
>
> Wilberforce, J. went at length into the principles underlying proprietary right in goodwill and annexation of a name to goodwill and the laws of the right to protection of a name and on the facts of that particular case he held that the plaintiff company had lost its right in respect of the name TODAY as part of the title of a magazine. It seems to me clear on principle and on authority that where a trader ceases to carry on his business he may nonetheless retain for at any rate some period of time the goodwill attached to that business. Indeed it is obvious. He may wish to reopen the business or he may wish to sell it. It further seems to me clear in principle and on authority that so long as he does retain the goodwill in connection with his business he must also be able to enforce his rights in respect of any name which is attached to that goodwill. It must be a question of fact and degree at what point in time a trader, who has either temporarily or permanently closed down his business, should be treated as no longer having any goodwill in that business or in any name attached to it which he is entitled to have protected by law.
>
> In the present case, it is quite true that the plaintiff company has no longer carried on the business of a club, so far as I know, for five years. On the other hand, it is said that the plaintiff company on the evidence continues to be regarded as still possessing goodwill to which this name AD- LIB CLUB is attached. It does, indeed, appear firstly that the defendant must have chosen the name AD-LIB CLUB by reason of the reputation which the plaintiff company's AD-LIB acquired. He has not filed any evidence giving any other reason for the selection of that name and the inference is overwhelming that he has only selected that name because it has a reputation. In the second place, it appears from the newspaper cuttings which have been exhibited that members of the public are likely to regard the new club as a continuation of the plaintiff company's club. The two things are linked up. That is no doubt the reason

why the defendant has selected this name."

I deal with this point, further, below.

The ownership of the Goodwill

107. This is a matter in which, following my finding in relation to the two agreements, there is no contract regulating the parties' rights. This creates, itself, a problem. As quoted by Kevin Garnett, Q.C., in *Medgen*, the Court of Appeal warned such a problem is ultimately soluble only by a factual inquiry with all the disadvantages of the length of its duration, the cost of its conduct and the uncertainty of its outcome.

108. There has been no cross examination in this case. In my view, the stark differences in the claims made by the parties as to the history of events surrounding this matter would have made cross examination helpful. Nevertheless, from my review of the evidence, of the two main witnesses, I find the statements of Mr Dempsey to be the more reliable. I note the following areas of inconsistency in Mr. Lovgren's Statements:

- Mr. Lovgren states that, as MD of the second applicant, in 1987 he 'instigated preparations' to establish a trading presence in the UK (Lovgren 1, paragraph 2). Later, in response to comments by Mr. Dempsey, he revises this assertion (see Lovgren 2 paragraph 19): the original firm was founded in 1966, the name was changed several times, becoming EOGB in 1986;

- he claims that the third applicant is a wholly owned subsidiary of the second Applicants (Lovgren 1, paragraph 2). It is not, and never has been, as the evidence of Mr. Dempsey shows (see Exhibit JD6, Dempsey 1, paragraph 65);

- Mr. Logren states that there was '..a long standing commercial relationship starting in approximately 1980 between a German company called Klockner and the second Applicants involving the distributorship of burners in the UK by the third applicants under EOGB Logo' (Lovgren 2, paragraph 6). But he also says that the logo was not designed until 1987;

- Mr. Lovgren asserts that the goodwill under the name was of great importance to his company. There is no evidence that the latter exercised any control over the way that name was used by the RP;

- The interpretation put on key clauses in the two agreements is, at the very least, overblown. For example, Mr. Lovgren's assertion that, by virtue of clause 3(d) in the first agreement, 'EOGB Energy would receive a commission for *any* sales they made on behalf of the second Applicant' (Lovgren 1, paragraph 3), does not, as I have already pointed out, sit well with the wording of the contract (see paragraph 42 *supra*). I also note the liberal paraphrasing that is applied to clause 2.1 of the second agreement (Lovgren 1, paragraph 4).

109. Against this background, based on the evidence I have seen, I make the following findings of fact:

- the logo was used on the third applicant's stationery and an unspecified number of 'burners' that were manufactured in the UK (Dempsey 1, paras. 5 and 8). Otherwise, the third applicant, itself, was known as EOGB;

- this trade in burners ceased in 1990. There is no evidence that any other item – to a degree enough to generate goodwill – has ever been sold in the UK under the EOGB name;

- from the first, it appears that the third applicant sold products manufactured by others;

- in 1990/1 it was decided that third applicant should close. It stopped trading at the end of 1992;

- in 1993 the RP, an independent business, was established, as the second applicant's distributor in the UK. This distribution arrangement was governed by two agreements, which remained in force until 2002, being terminated by the second applicant in October 2001;

- I have found both distribution agreements to be 'blind' as to the ownership of the goodwill under the EOGB name;

- the RP has sold the second applicant's burners since 1993, but also a range of products from other manufacturers as well. The EOGB name has appeared on packaging and on invoices and the like. It appears as the company name;

- the RP acted with a very great degree of autonomy. As Mr. Dempsey points out, they expanded the activities of the new company, increasing its market share in domestic burners, commercial products and spare parts (see Dempsey 1; paragraphs 28 and 29);

- the RP was responsible for the quality and after sales service for all the goods it sold, including those of the second applicant;

- the second applicant's goods have been sold under the BENTONE brand, the STERLING brand and under the ELECTRO OIL brand; never under the EOGB name (the second applicant admits this: see Lovgren 2, paragraph 12);

- a significant amount of the trade conducted by the RP was of second applicant products: about half their turnover was of BENTONE products during the relevant periods;

- the second applicant also carried out a significant 'direct' trade – that is aside from that achieved on its behalf – into the UK under the BENTONE and ELECTRO OIL brand (see Dempsey 1; paragraph 23). There is no evidence that any of this was associated with the EOGB name; and

- finally, there is no ‘chain of title’ that maps the goodwill generated by the third applicant to the second applicant, and from the RP to the second applicant.

110. With these fact set out, I now want to consider the period of time up to the first relevant date. This is 5th May 1995. The third applicant had ceased trading at the end of 1992. The RP was established, and quickly became successful. As I have pointed out, though contracted to the second applicant to sell its products in the UK, the RP acted with a very great degree of independence, expanding its own, ‘non-second applicant’ trade which, according to Mr. Dempsey’s turnover figures, by 1995 was more than that carried out on behalf of its partner. This trade was carried out under the EOGB name as part of the company name EOGB Energy Products Limited. I note that the RP has a different address to the third applicant, that is, both legally and physically, it was a different trading entity.

111. Nevertheless, as of the end of 1992, though it had ceased trading, there is little doubt that the third applicant had goodwill under the name EOGB at this time. As Mr. Malynicz pointed out at the hearing – and my review of the case law confirms – this goodwill would not have disappeared over night. I quoted at length from Pennycuick VC’s comments in *Ad-Lib Club Limited* above, but note, in particular, his statement: ‘It seems to me clear on principle and on authority that where a trader ceases to carry on his business he may nonetheless retain for at any rate some period of time the goodwill attached to that business.’ He goes on to say that it must be a question of fact and degree at what point in time a trader who has either temporarily or permanently closed down his business should be treated as no longer having any goodwill in that business which he is entitled to protect. I also note the words of Lord Parker in *Spalding and Brothers v AW Gamage Limited* [1915] 32 RPC 273, at page 284:

> “Even in the case of what are sometimes referred to as Common Law Trade Marks, the property, if any, of the so-called owner is of its nature transitory, and only exists so long as the mark is distinctive of his own goods in the eyes of the public.”

112. The oft quoted phrase in trade mark law, usually applied in relation to revocation for none use under s. 46 of the Act, is also applicable here: ‘Use it or loose it’ – where, for the latter, the Act sets five years of non-use to qualify. In ‘common law’ trade marks the timescale will vary from case to case. In *Ad-Lib Club Limited*, residual reputation was found to exist some five years after the original business had closed, though in that case the judge was influenced by the choice to use the name being based on the reputation of the original club. All these issues revolve around a point in time. Whether the goodwill is described as residual or not it has to have been existence at the relevant date – it still needs that attractive force. Whitford J in *Thermawear Limited v Vedonis Limited* found:

> “Even in the trade the introduction of the Vedonis THERMAWARM brand plainly led to some confusion.”

that is, the goodwill of the original proprietor was still operative. In *Sutherland v V2 Music Ltd* Mr. Sutherland and Mr. Lyall were still pursuing their musical careers in a jazz funk band, Liberty, if in a very small way, the latter’s last performance being some five years previous. This was considered enough to protect the reputation in the name.

113. The matter here is different, in that it might be said that were are not dealing, here, with ‘residual goodwill’ in that the RP carried on much the same trade as the third applicant. I have found that, whatever the second applicant believed at the time, the goodwill from the activities

of third applicant could not have accrued to them. If any legal personality amassed the goodwill, other than the third applicant, it would have been the first applicant. However, there is no evidence to show how the third applicant held itself out to its customers. I have already noted the case law in *MedGen* that there is no rule of law or presumption of fact which says that the goodwill generated by the trading activities of a wholly owned subsidiary belongs to the parent. Whether it did or not, here, is a matter of fact, and the facts are silent as to how the name EOGB was held out to the relevant members of the public, and with whom the latter associated that name.

114. The evidence I do have shows that the first applicant demonstrated no interest in the mark; any control was left to the second applicant and, leaving aside the issue as to whether they had any right to exercise such, their interest I have found only to consist as that of a supplier to a distributor in the UK. The RP, I say again, did largely what they liked under the EOGB banner. It seems to me that the RP, in effect, 'pocketed' any goodwill under the name – if not immediately, than at least by the first relevant date. The reputation, such as it was, as of 5th May 1995, was associated with the RP. Their activities would have bound any goodwill to them, certainly not to the second applicant and, on the evidence, not to the first applicant, who seem to have been notable only by their absence during the relevant time periods.

115. I have no doubt that the second applicant would argue that the RP, effectively, held itself out as a conduit of any goodwill under the name EOGB. The literature produced by the RP make reference to the 'Electro Oil brand' in clear association with the second applicant (see Exhibit SOL9 to Lovgren 4). I was also handed what appears to be a recent, but undated, brochure at the hearing. This is, perhaps, the high water mark of the applicants' case. In my view they conform with the injunctions on the RP in the distribution agreements to 'hold itself' out as the distributor of the second applicant's products. However, for the applicants to succeed on this evidence, traders in the UK must, not only make a connection between the acronym EOGB and 'Electro Oil', but to consider that the business of the RP under it – which I have described as a 'retailer' of a range of heating goods – to be that of the second applicant. That is, whenever the industry in this country sees 'EOGB' in the context of this trade, they relate this not to the RP, but to the second applicant Bentone. And this against the background of *all* their recent trade in the UK being under the latter brand (and some under Electro Oil – which appears to be a secondary mark), the only trade under EOGB over the same period being as that of the RP in this case. – Invoices representative of the last trade between the parties are exhibited by Mr. Lovgren at SOL9 (Lovgren 1). I can find no references at all to EOGB on these documents except in respect of the RP as debtor. In my view, EOGB in the UK means the RP. It has a life of its own, whatever connection one might make to 'Electro Oil', given thought.

116. In *Harrods v Harrodian School* [1996] RPC 697 Millett LJ states:

> "It is not in my opinion sufficient to demonstrate that there must be a connection of some kind between the defendant and the plaintiff, if it is not a connection which would lead the public to suppose that the plaintiff has made himself responsible for the quality of the defendant's goods or services"

117. In the context of the evidence it is useful to refer to the comments of Pumfrey J in *South Cone Inc. v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* [2002] RPC 19:

> "There is one major problem in assessing a passing off claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the Registrar is entitled to be presented with evidence which at least raises a *prima facie* case that the opponent's reputation extends to the goods comprised in the applicant's specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under s 11 of the 1938 Act (see *Smith Hayden* (OVAX) (1946) 63 RPC 97 as qualified by *BALI* [1969] RPC 472). Thus the evidence will include evidence from the trade as to reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on. Evidence of reputation comes primarily from the trade and the public, and will be supported by evidence of the extent of use. To be useful, the evidence must be directed to the relevant date."

118. The applicants have not proved, as of the first relevant date (5th May 1995), that they would have been able to stop the RP using the mark EOGB on the basis that it would have been an actionable misrepresentation as to the origin of the supply of their goods. If this was the case at that date, it was certainly so as of the second date, 17th May 2002, when the series mark (registration No. 2300783) was applied for. This ground fails.

<u>Bad Faith</u>

119. This matter is concerned with what occurred before and up to the relevant dates in these proceedings: the 5th May 1995, and 17th May 2002.

120. Following my findings in respect of the goodwill under the name EOGB in the UK, I think this ground can be quickly disposed of. At the relevant times the RP, that is, its representatives, acted as reasonable men of business in applying for the two marks. I do not believe they can be accused of the behaviour set out in *Gromax Plasticulture Ltd v. Don & Low Nonwovens Ltd* [1999] R.P.C. 367 (at page 379), that their actions were dishonest, or included also some dealings which fell short of the standards of acceptable commercial behaviour observed by reasonable and experienced men trading in the business concerned. This ground is also dismissed, the application fails in totality.

CONCLUSION

121. I have found that the applicants were not the proprietors of the goodwill under the name in the UK at the relevant times and the RP did not act in bad faith in applying for the two marks in suit. The attack on these registrations fails, and the two applications fail.

COSTS

122. I see no reason to make a costs award in excess of the usual scale. Nevertheless, this still requires the applicants to recognise the RP's success by paying them £3000. This sum includes the costs of both applications: though much of the evidence in each was the same, there were significant additions also. This sum is to be paid within seven days of the expiry of

the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 15th Day of March 2004.

Dr W J Trott
Principal Hearing Officer
For the Registrar