

O-051-10

TRADE MARKS ACT 1994

IN THE MATTER OF REGISTRATION NO 2326092

IN THE NAME OF EGL GEM LAB LTD

OF THE TRADE MARK:



**EUROPEAN
GEMOLOGICAL
LABORATORY**

IN CLASS 42

AND

THE APPLICATION FOR A DECLARATION

OF INVALIDITY THERETO

UNDER NO 82965

BY GUILLAUME MARGEL

Trade Marks Act 1994

**In the matter of registration no 2326092
in the name of EGL Gem Lab Ltd
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**in class 42
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thereto under no 82965
by Guillaume Margel**

INTRODUCTION

1) An application to register the above trade mark (the trade mark) was made on 10 March 2003. The registration procedure was completed on 29 August 2003. The trade mark is registered for the following services.

scientific and technological services and research and design relating thereto; industrial analysis and research services; gemological services, namely, the grading of precious stones and issuing certificates relating to such grading.

The above services are in class 42 of the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised and amended. The registration is in the name of EGL Gem Lab Ltd of New York (EGL US).

2) On 3 August 2007 Mr Guillaume Margel of Antwerp filed an application for the invalidation of the registration of the trade mark. Mr Margel claims that he is the founder (in 1974) and the owner of the European Gemological Laboratory network and has been using through its agent, Huddlestone Gemmological Consultants Limited, and its director, Roy Huddlestone the trade mark:



and the trade mark E.G.L. in respect of certificates for precious stones and jewellery, valuation and appraisal services relating to precious stones and diamonds, expert services carried out by laboratory examination of diamonds and precious stones and services relating to the issuance of certificates for diamonds and precious stones. Mr Margel claims that this use began in 1988 and continued up to the date of the registration of EGL US's trade mark. Mr Margel claims that he had acquired substantial goodwill in the trade marks at the time that EGL US filed its application for registration of its trade mark.

3) Mr Margel claims that the registration of the trade mark should, therefore, be declared invalid under section 47(2)(b) of the Trade Marks Act 1994¹ (the Act) in that there is an earlier right in relation to which the condition set out in section 5(4)(a) of the Act is satisfied. Section 5(4)(a) of the Act states:

“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”.

The principles of the law of passing-off were summarised by Lord Oliver in *Reckitt & Colman Products Ltd v. Borden Inc* [1990] RPC 341 at page 406:

“The law of passing off can be summarised in one short, general proposition: no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or trade description, or the individual features of labelling or packaging) under which his particular goods or services are

offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. ... Thirdly he must demonstrate that he suffers, or in a *quia timet* action that he is likely to suffer, damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff.”

4) Mr Margel claims that EGL US was aware at the time that it made the application that, through an agreement dated 1 January 1986, it had acquired certain limited trade mark rights in the United States of America but that it had not acquired rights to the trade mark in the United Kingdom and it was aware that Mr Margel was the owner of the trade mark in the United Kingdom. Mr Margel claims that, therefore, the registration should be declared invalid under section 47(1) of the Act as it was registered in breach of section 3(6) of the Act as the application was made in bad faith. Section 3(6) of the Act states:

“A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

5) Mr Margel seeks the invalidation of the registration in its entirety.

6) EGL US filed a counterstatement. It states that it is “aware” of Mr Margel. It denies the grounds of invalidation. EGL US denies that Mr Margel has used the EGL logo in the United Kingdom for any goods or services or if there has been any use it claims that it has been de minimis. EGL US denies that Mr Margel has used the EGL logo in the United Kingdom since 1988 and that such use has been continuous. EGL US denies that Mr Margel has acquired substantial goodwill in the United Kingdom, including at the date of the filing of its application for registration of the trade mark.

7) EGL US claims that it has been using the EGL logo since 31 December 1997. It attaches to its counterstatement a printout for its United States registration no 78/257792 which includes a claim to first use of 31 December 1997. EGL US claims that it is the true proprietor of the EGL logo and that it was fully entitled to register the trade mark in other jurisdictions, including the United Kingdom. EGL US claims that Mr Margel has no rights in the EGL logo in the United Kingdom and so the application to file the trade mark was not made in bad faith. EGL US attaches printouts in respect of refused United Kingdom application nos 2344431 and 2344432, both of which were filed on 27 September 2003. The applications were made by Mr Margel and are for the trade marks EGL and:



EGL US claims that it is inconceivable that its trade mark was not cited as an objection to at least registration no 2344432. Consequently, Mr Margel must have been aware of EGL US's application for almost four years and took no steps to oppose the registration and made no previous attempt to invalidate the registration on the basis of the claimed prior rights. EGL US submits that Mr Margel has no basis to challenge the validity of its registration.

8) Both parties filed evidence. A hearing was held on 18 January 2010 at which all of those who filed evidence, with the exception of Ms Rowena Gabriella Powell, were cross-examined. EGL US was represented by Mr Malynicz of counsel, instructed by Marks & Clerk LLP. Mr Margel was represented by Mr Norris of counsel, instructed by Gill Jennings & Every LLP.

Primary evidence for Mr Margel

Witness statement of Roy Victor Huddlestone

9) Mr Huddlestone is the sole director of Huddlestone Gemmological Consultants Limited (HGC), which was incorporated on 10 February 1982. He has over 60 years of experience in all aspects of the jewellery and gemstone trades in the United Kingdom and internationally. Between 1944 and 1949 Mr Huddlestone trained as a watch and jewellery maker and repairer, before doing his national service between 1949 and 1950. After his national service Mr Huddlestone rejoined the jewellery trade as assistant manager and later manager and general manager of retail establishments throughout the United Kingdom, this situation continued until 1969. Between 1957 and 2001 Mr Huddlestone gained the following qualifications:

- 1957 National Association of Goldsmiths Retail Jewellers Diploma (RJDip 279).

- 1970 Independent Valuer.
- 1975 European Gemological Institute, Diamond Diploma, D.Dip.
- 1988 National Association of Goldsmiths, Trade Registered Valuer RV31188.
- 1989 Elected Practising Expert/Member, British Academy of Experts MBAE, PM338.
- 1997 Elected Founding Member Expert Witness Institute, 0186.
- 2001 Elected Founding Member Association of Jewellery Appraisers.

Mr Huddlestone tutored at Sotheby's Institute between 1993 and 1998 and at Missenden Abbey between 1991 and 1999. He has appeared on television and radio programmes such as *Tomorrow's World* in various countries and lectured on innovations, including:

- Diamond fingerprinting.
- First diamond colour measuring spectrophotometer.
- First diamond clarity measuring system.
- Photographic imaging of diamond surfaces – "Diamond Scapes".

Between 1969 and 1981 Mr Huddlestone was technical director of Diamond Selection Ltd, which traded in polished diamonds, Pavo Diamonds, which traded in rough diamonds and F A Welch (Liverpool) Ltd which was a jewellery manufacturer. Mr Huddlestone was also the director of Diamond Grading Laboratories Limited (DGL) in Hatton Garden, London and Sydney.

10) In 1969 DGL was the second diamond certification laboratory in the world to start operations, the first being Gemological Institute of America (GIA). DGL would test and grade diamonds and other gemstones and provide certificates indicating the properties of the stones. In London DGL had approximately 16 staff and about 24 staff in Sydney, from 1978. Other diamond certification laboratories such as EGL, IGI, HRD and AGTA did not start up until the 1970s. When the world diamond market collapsed in 1980/1981 both DGL laboratories closed.

11) In 1981 Mr Huddlestone formed his own company, HGC, of which he was the sole director. He issued his own HGC certificates for diamonds and other

gemstones. His clients came from both the jewellery trade and members of the public, within the United Kingdom and internationally.

12) Mr Huddlestone states that he has been asked by Mr Margel to provide a statement regarding HGC's use of European Gemological Laboratory's trade marks. Exhibited at RVH-1 is a list of the trade marks:

EGL

E.G.L.

E.G.L. INTERNATIONAL

EUROPEAN GEMOLOGICAL LABORATORY

EUROPEAN GEMOLOGICAL LABORATORIES



13) Mr Huddlestone has known Mr Margel for over 30 years. He assisted Mr Margel in the early days of his setting up the European Gemological Laboratory and would often lecture at conferences in Antwerp. Mr Huddlestone states that

in the mid 1980s he and Mr Margel came to an agreement which would see him issuing diamond certificates on behalf of European Gemological Laboratory with the consent of Mr Margel. This arrangement has continued since at least 1988 until the present, with Mr Huddlestone acting as European Gemological Laboratory's representative in the United Kingdom. Mr Huddlestone states that this work has constituted a large part of his livelihood since then. The association with issuing European Gemological Laboratory gemstone certificates came about through his clients requesting internationally recognised certificates. The certificates vouched for the properties of each stone and were relied upon internationally to verify the properties of the stone. Exhibited at RVH-2 is a selection of diamond and coloured gemstone grading certificate reports issued by Mr Huddlestone on behalf of the European Gemological Laboratory from 1992 to the present. He states that where the certificates are marked "specimen", this indicates that they were used for sending out to prospective customers. The exhibits include nine certificates or reports for coloured gems (see paragraph 50 re these). The details of the analyses of the diamonds are sometimes given on documents described as certificates, sometimes on documents described as reports and sometimes on documents described as certificate reports; whether a report, a certificate or a certificate report, similar information is being given. I will refer to them simply as certificates. Below is a table summarising some of the details of these certificates:

Date	Specimen	Use of EGL logo	London typed in	Signature of Mr Huddlestone	Issued by E.G.L.
16/09/92	yes	no	yes	yes	yes
20/09/93	no	yes	yes	yes	yes
18/11/93	no	yes	yes	yes	yes
25/03/94	no	yes	yes	no	yes
22/02/95	yes	yes	no	no	yes
12/06/95	no	yes	yes	yes	yes
17/07/95	yes	no	no*	yes	no
02/10/95	no	yes	yes	yes	yes

* "On behalf of the European Gemological Laboratory (London)" printed on form.

12/06/96	yes	yes	yes	yes	no
17/06/96	no	no	yes	yes	no
28/06/96	yes	yes	yes	yes	yes
29/10/96	no	no	no	yes	no
29/10/96	no	no	no	yes	no
11/12/96	no	yes	yes	yes	yes
28/01/98	yes	yes	yes	yes	yes
17/04/98	no	no	yes	yes	no
29/06/99	no	yes	yes	yes	UK agent for E.G.L. sticker
14/12/99	no	yes	yes	yes	UK agent for E.G.L. sticker
13/01/00	no	yes	no	yes	UK agent for E.G.L. sticker
07/11/00	no	yes	yes	yes	E.G.L. European Gemological Laboratory on certificate
12/10/01	no	no	yes [†]	yes	no
06/11/01	no	yes	yes	yes	UK agent for E.G.L. sticker
25/04/02	no	no	yes*	yes	E.G.L.

[†] "On behalf of the European Gemological Laboratory (London)" printed on form.

					European Gemological Laboratory on certificate
22/05/02	no	yes	yes	yes	UK agent for E.G.L. sticker
23/07/02	no	no	no [‡]	yes	HGC's details appear on certificate.
10/06/03	no	no	no [§]	yes	HGC's details appear on certificate.
26/09/02	yes	no	no ^{**}	no	HGC's details appear on certificate.
17/10/02	no	no	no ^{††}	yes	HGC's details appear on certificate.
08/04/03	no	no	no ^{‡‡}	yes	HGC's details appear on

* "On behalf of the European Gemological Laboratory (London)" printed on form.

‡ "On behalf of the European Gemological Laboratory (London)" printed on form.

§ "On behalf of the European Gemological Laboratory (London)" printed on form.

** "On behalf of the European Gemological Laboratory (London)" printed on form.

†† "On behalf of the European Gemological Laboratory (London)" printed on form.

‡‡ "On behalf of the European Gemological Laboratory (London)" printed on form.

					certificate.
18/06/03	no	no	yes ^{§§}	yes	HGC's details appear on certificate.
24/06/03	no	yes	yes	yes	UK agent for E.G.L. sticker
20/10/04	no	no	yes	yes	HGC's details appear on certificate.
26/10/04	no	no	yes	yes	HGC's details appear on certificate.
25/11/04	no	no	no	yes	HGC's details appear on certificate.
05/01/05	no	no	yes	yes	HGC's details appear on certificate.
05/01/05	no	no	yes	yes	Issued by European Gemological Laboratory
13/04/05	no	yes	yes	yes	yes
06/09/05	no	yes	yes	yes	UK agent for E.G.L.

^{§§} "On behalf of the European Gemological Laboratory (London)" printed on form.

					sticker
13/09/05	no	yes	yes	yes	HGC's details appear on certificate.
15/12/05	no	yes	yes	yes	HGC's details appear on certificate.
01/02/06	no	yes	yes	yes	UK agent for E.G.L. sticker
07/03/06	no	yes	yes	yes	UK agent for E.G.L. sticker
05/07/06	no	no	yes	yes	HGC's details appear on certificate.
10/10/06	no	yes	yes	yes	UK agent for E.G.L. sticker
15/11/06	no	yes	yes	yes	UK agent for E.G.L. sticker
24/04/07	no	no	yes	yes	HGC's details appear on certificate.
28/06/07	no	no	no	yes	HGC's details appear on certificate.

14) Various parts of the documentation have references to an affiliated laboratory in London and some simply include London in a list of cities. Some of the documentation has a reference to EGL US, which is described as E.G.L. USA. This business has the same address as the registered proprietor. Included in the exhibit are copies of watermarked paper, the watermark consists of the EGL logo.

15) Mr Huddlestone is of the opinion that an international gemstone certification issued by him on behalf of the European Gemological Laboratory would carry more weight in the trade than some other trade diamond certifications in the United Kingdom.

16) In 2000, due to a redevelopment of the building where his business was located, Mr Huddlestone was forced to relocate to his current premises in Hatton Garden. As he was moving to a smaller laboratory/office Mr Huddlestone had to get rid of large amounts of documents. As he was only required to keep company records for five years, much of his company's and the European Gemological Laboratory's records were shredded. Some records were put into shared storage with a friend. The friend has since died and due to probate proceedings he is unable to obtain any of the stored documents. However, Mr Huddlestone estimates that the turnover in the work carried out on behalf of the European Gemological Laboratory would have reached approximately £8,000 per annum. Exhibited at RVN-3 are copies of price guides for European Gemological Laboratory diamond and colour stone certification issued by HGC. Three price guides are exhibited, one with prices from 1 September 2000 and two with prices from 1 March 2003. HGC is described as the "E.G.L. Certification Laboratory for the U.K.". The prices are given as being "E.G.L. Price". Mr Huddlestone states that each certificate would cost between £25 and £45 depending upon the properties of the gemstone. The actual price lists give price by reference to the size of the gem, the bigger the gem the higher the price. The prices start at £45 plus VAT for gems under one carat. There are two different price lists which are effective from 1 March 2003. The price of "mini certificates" is also given; from 1 September 2000 these certificates were £20 plus VAT and £25 plus VAT from 1 March 2003. Mr Huddlestone states that he issued at least 300 certificates per year. He is unable to give a market percentage share of the issuance of gemstone certificates in the United Kingdom because no statistics are published by any other laboratory in the United Kingdom. However, Mr Huddlestone states that he is the only issuer of European Gemological Laboratory internationally recognised diamond certificates in the United Kingdom. Exhibited at RVH-4 are copies of invoices issued in relation to supplying EGL diamond and other gemstone certificates for the period from 1998 to 2003. The

invoices start on 14 January 1998 and end on 18 December 2003. Some of the items on the invoices and some of the invoices do not identify the issuing of an EGL certificate. Below is a table giving a breakdown by year of the invoices relating to the issuing of EGL certificates:

Year	No of invoices	Total sum (excluding VAT and postage)
1998	2	£55
1999	2	£90
2000	30	£4,935
2001	26	£2,316.25 ^{***}
2002	26	£2,950
2003 (up to 10 March 2003)	7	£335
TOTAL	93	£10,681.25

Many of the invoices relate to several certificates.

17) Mr Huddlestone states that exhibited at RVH-5 is a comparative chart of diamond grading systems issued and used by European Gemological Laboratory worldwide which lists the network of laboratories. Mr Huddlestone appears as the London contact and Mr Margel as the international president as well as the Antwerp contact. There is no indication as to from when this exhibit emanates.

18) Mr Huddlestone states that he is aware of the European Gemological Laboratory's trade marks through its publication of *The EGL Chronicle* which is issued on a quarterly basis from its laboratory in Antwerp. Exhibited at RVH-6 are examples of *The EGL Chronicle* for winter 1992, summer 1994, late autumn 1994, and summer 1995. The EGL logo appears on the front of each example. The last edition includes an article about Mr Huddlestone.

19) Mr Huddlestone has advertised his business and its issuance of European Gemological Laboratory certificates by way of exhibitions and trade handbooks. He exhibits copies of such advertisements at RVH-7. A handwritten annotation

^{***} This takes into account a 15% discount on one invoice.

indicates that HGC advertises each year in a brochure for an annual exhibition for the Sri Lankan gem industry, two sample advertisements are exhibited in both of which "E.G.L." appears. A handwritten annotation next to an advertisement for HGC states that the advertisement ran in the Diamond Club handbook each year from 1989 to 1994, when the club and bourse amalgamated. It then ran in the combined handbook until 1999, when Mr Huddlestone gave up membership. The sample advertisement refers to "E.G.L.". Advertisements for HGC from the *NAG Yearbook* for 2001-2002, 2002-2003 and 2003-2004 are exhibited. In all of the advertisements a reference to "E.G.L" appears.

20) Mr Huddlestone receives approximately between 10 and 12 telephone calls each month from members of the public in the United Kingdom requesting over the phone verifications of European Gemological Laboratory certificates. He states that some of these certificates do not emanate from his laboratory but from European Gemological Laboratory laboratories abroad; in these cases the enquirer is directed to the European Gemological Laboratory laboratory from which the certificate was issued. Mr Huddlestone states that he receives between 15 and 20 physical verifications each year from members of the public who wish to verify that the diamond or gemstone that they possess relates to the European Gemological Laboratory certificate that has been sold with it. Mr Huddlestone makes no charge for these enquiries.

21) Mr Huddlestone states that it is his belief that if EGL US produced gemstone certificates in the United Kingdom using the trade mark the subject of these proceedings that his clients would be misled into believing that it was him or HGC who had tested and graded a gemstone and produced a certification on behalf of the European Gemological Laboratory.

Evidence of Guillaume Margel

22) Mr Margel is the international president of the European Gemological Laboratory. He states that he set up the European Gemological Laboratory (EGL) in 1974 in Antwerp, the company specialises in the independent grading and testing of diamonds/stones. Once assessed they are issued with a certificate attesting to their properties. Mr Margel states that exhibited at GM-1 is a sample of a grading certificate issued by his company from its Antwerp laboratory. It is marked sample and bears a date of 14 March 2003. Mr Margel states that the grading certificates issued in Antwerp are the same as those issued in the United Kingdom as far as the information they contain is concerned. The only difference between the certificates would possibly arise from the colour or quality of the paper used.

23) Mr Margel states that EGL's services are identified by the following trade marks:

EGL.

E.G.L.

E.G.L. INTERNATIONAL.

EUROPEAN GEMOLOGICAL LABORATORIES.

EUROPEAN GEMOLOGICAL LABORATORIES and logo.

Mr Margel exhibits at GM-2 details of two registered Community trade marks that he owns, the applications for which were filed on 12 September 2003. One is for the trade mark E.G.L. and the other for the trade mark:



24) Mr Margel states that he set up an international network of EGL gem grading laboratories as follows: New York in 1977, Los Angeles in 1978, Israel in 1979, and France and South Africa in 1980. He states that his company now has representatives located in Korea, India, Turkey and the United Kingdom. He exhibits at GM-3 a copy of a leaflet showing his company's worldwide laboratories. There is no indication as to from when this document emanates. Exhibited at GM-4 is a printout from the website eglinternational.org which shows the international laboratories. The printout was downloaded on 22 January 2008.

25) Mr Margel exhibits at GM-5 the majority of the material that Mr Huddleston exhibited at RVH-2. Mr Margel states that Mr Huddleston has issued EGL diamond certifications from 1988 to the present.

26) Mr Margel states that given EGL's extensive international reputation, and extensive reputation in the United Kingdom through Mr Huddleston's work, EGL

US would know of EGL's issuance of EGL diamond certificates and use of the EGL trade marks. Mr Margel is of the opinion that, given EGL's client base both in the United Kingdom and internationally, clients would automatically assume that a diamond or other gemstone certification bearing the EGL trade mark issued from the United Kingdom would denote a diamond or other gemstone that had been tested and graded by EGL through Mr Huddleston or HGC.

27) Mr Margel states that in 1980 he applied for and obtained United States federal registrations for the trade marks E.G.L. (1) and EUROPEAN GEMOLOGICAL LABORATORY (2). Exhibited at GM-6 are printouts relating to these registrations and to the trade marks EUROPEAN GEMOLOGICAL INSTITUTE (3) and EUROPEAN-AMERICAN GEMOLOGICAL LABORATORY (4). 3 was applied for on 10 July 1978, registered on 26 August 1980 and cancelled on 16 January 1987. It was in the name of European Gemological Laboratory, Inc of New York. 1 was applied for on 17 August 1977 and registered on 30 September 1980, it was applied for in the name of European Gemological Laboratory, Inc of New York and currently is in the name of E.G.L. Gem Lab Ltd of New York. 4 was applied for on 17 August 1977, registered on 2 December 1980 and cancelled on 15 April 1987. It was in the name of European Gemological Laboratory, Inc of New York. 2 was filed on 17 August 1977 and registered on 27 May 1980, it was applied for in the name of European Gemological Laboratory, Inc of New York and currently is in the name of E.G.L. Gem Lab Ltd of New York. Mr Margel states that he later registered E.G.L. and EUROPEAN GEMOLOGICAL LABORATORY in the Benelux in 1989, in Israel in 1992 and 1994 (respectively), in Korea in 1999 and in India in 2003. Mr Margel states: "The EGL logo was subsequently used from around 1974".

28) Mr Margel states that as a result of a downturn in the diamond market in the mid 1980s he decided to sell his grading operation in the United States. He states that under an agreement, dated 1 January 1986, he conveyed the physical assets of the United States laboratories to NK Gemological Services, Inc, a New York corporation owned by the then manager of his company's New York laboratory, Nachum Krasnianski. Mr Margel states that NK Gemological Services, Inc later changed its name to E.G.L. Gem Lab Ltd. Mr Margel states that he simultaneously entered another agreement dated 1 January 1986 by which he conveyed ownership of the EGL United States trade marks to NK Gemological Services, Inc. Mr Margel states that the transfer of his company's United States trade mark rights did not in any way extend to his company's rights in the United Kingdom or anywhere else in the world. He exhibits at GM-7 a copy of an agreement between European Gemological Laboratory, Inc (European) (c/o Mr Margel in Antwerp) and NK Gemological Services, Inc (NK),

dated 1 January 1986. The agreement relates to the sale, assignment and transfer of European's trade marks to NK. A condition of the agreement awards Mr Margel a royalty free licence to use the trade marks in connection with the business of evaluating gems in the greater Los Angeles area. If NK wishes to sell the trade marks it will give Mr Margel first refusal to acquire them. NK is to pay European \$15,000. Upon execution of the agreement European was to amend its name and to authorise NK or Nachum Krasnianski to incorporate under European's name. Any dispute in relation to the agreement is to be settled by arbitration in New York City in accordance with the rules then obtaining of the American Arbitration Association. The trade marks covered by the agreement are the United States registrations of:

E.G.L.

European Gemological Institute.

European Gemological Laboratory.

European-American Gemological Laboratory.

European Gemological Laboratory E.G.L.

E.G.L. Gemological Laboratory.

All logos, whether or not presently used.

29) Mr Margel states that he also entered into an agreement, dated 1 January 1986, with EGL US by which EGL US agreed, amongst other things, to pay him the sum of \$1.25 for each diamond certificate that it issued to its customers. He exhibits at GM-8 a copy of the agreement. The agreement is between Mr Margel and NK. The agreement begins as follows:

"WHEREAS, MARGEL is in the business of evaluating diamonds and gems and conducts business in various parts of the world in an individual capacity and-or under corporate entities;

WHEREAS, N.K. is simultaneously herewith entering into agreements pursuant to which it is acquiring certain assets of EUROPEAN GEMOLOGICAL LABORATORY, INC and of E.G.L. Gem Lab Ltd., and

WHEREAS, N.K. wishes to engage MARGEL to perform consulting services for N.K. and MARGEL has agreed to do so, all upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual obligations herein set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. During the term hereof, MARGEL, authorizes N.K. in the operation of N.K.'s business, to refer to each and every location where MARGEL may conduct business including, but not limited to, Antwerp, New York, Los Angeles, Paris and Johannesburg.

Nothing herein contained however shall be construed as establishing any affiliation between MARGEL and N.K. and each will conduct his and its respective business separate and apart from each other. In consideration hereof N.K. shall pay MARGEL, upon execution and exchange of this Agreement, the sum of \$1,000.00.

2. MARGEL and-or any of his companys or corporations, whenever N.K. so demands, shall furnish N.K. with diamond certificates. In consideration thereof, N.K. shall pay MARGEL the sum of \$1.25 for each and every diamond certificate issued by N.K. to its customers.

3. To the extent possible MARGEL shall not be required to provide consulting services within the United States of America and shall be permitted to do from his offices in Antwerp.”

30) Mr Margel states that in view of the agreements EGL US must have filed its United Kingdom trade mark fully aware that it did not have any rights in it in the United Kingdom. He states that EGL US knew about EGL's United Kingdom business because they were part of EGL and were aware of EGL's laboratories around the world.

31) Mr Margel states that before filing the application EGL US sought to imply that there was a connection between it and EGL. He exhibits at GM-9 what he states is a display card, there is no indication from when it emanates, issued by EGL US upon which it is stated that it is the largest network of gemological laboratories in the world. He states that there is a reference on the card to London 1986, which was the commencement date of EGL's United Kingdom laboratory. The display card refers to Antwerp, New York, Los Angeles, Ramat Gan, Paris, Johannesburg, Montreal, London and Seoul. Mr Margel states that on the last page of the display card there is a reference to the United Kingdom, on the copy I have I cannot see this. The following appears in the exhibit:

“Modern day gemology was introduced to Europe in Antwerp, Belgium in 1974 by European Gemological Laboratory. Prior to that date, European gemology consisted of trade slang, such as blue white and eye clean as well as jeweler opinions. EGL introduced to Europe a highly sophisticated and scientific method for the identification and grading of diamonds and colored gemstones. Since the fifteenth century Antwerp has functioned as the leading source of polished diamonds for the world markets. Some of the most famous and expensive diamonds are cut in Antwerp because of the expertise and craftsmanship of the Antwerp masters.

As a result of the alliance between European Gemological Laboratory and the diamond industry, EGL certificates have traveled throughout the world and educated the gem trade to today’s scientific standard of gemstone grading.

Today, EGL stands at the forefront of gemology as the world’s largest network of gemological laboratories serving the gem and jewelry industry in all major trade centers worldwide.

EGL’s reputation as an international authority on the scientific evaluation of gemstones provides it with the ability to issue professional authoritative gemological reports. These reports set the standard for quality, accuracy and reliability. They contain extensive and detailed information on all components of the certified items.

Every report is backed by more than twenty years of experience, the most current technology and state of the art equipment.

EGL has the expertise of leading gemologists specially trained in the science of gem identification and diamond grading.

EGL’s sole purpose as an independent unbiased laboratory, is to provide gemological services to the trade in a totally objective manner.

The diamond and colored stone certificates include all critical information on the gemstone including color grade, clarity grade, measurements and physical properties as well as plotting diagrams. Collectively these characteristics allow the consumer to purchase the diamond with confidence.”

The strap line “The Largest Network of Gemological Laboratories in the World” appears on the material. On two occasions EGL appears in proximity to USA.

32) Exhibited at GM-10 is a copy of a sample certificate dated 4 October 1999 issued by EGL US. The first page of the certificate refers to Belgium, Canada, France, Israel, South Africa, South Korea and the United Kingdom. EGL appears in proximity to USA. Exhibited at GM-11 is a copy of a sample certificate, dated 4 January 2001, the front of which also refers to Belgium, Canada, France, Israel, South Africa, South Korea and the United Kingdom.

Evidence for EGL US

33) This consists of a witness statement by Mr Nachum Krasnianski. Mr Krasnianski is the president of EGL US.

34) Mr Krasnianski states that at the time that EGL US applied to register the trade mark it did not believe that Mr Margel had any current use in the United Kingdom. He states that in particular EGL US was not aware of any advertisements or marketing of certificates in the United Kingdom. Mr Krasnianski states that he was not aware of Mr Margel's Community trade mark applications until the current action was filed, otherwise EGL US would have opposed the registration of the applications.

35) Mr Krasnianski states that EGL US was not "fully aware", as claimed by Mr Margel, that it did not have any rights in the trade mark in the United Kingdom.

36) Other than the above the witness statement of Mr Krasnianski's consists of submissions and a critique of the evidence filed on behalf of Mr Margel, and not evidence of fact. I will, therefore, say no more about it here but bear it in mind in reaching my decision.

Evidence in reply for Mr Margel

37) This consists of a witness statement by Ms Rowena Gabriella Powell. Ms Powell is a trade mark attorney and a senior associate of Gill Jennings & Every LLP; she is acting for Mr Margel in these proceedings.

38) Parts of Ms Powell's statement are a critique of the critique of Mr Krasnianski and not evidence of fact and so I will say no more about these parts here, although in reaching my decision I bear them in mind.

39) Exhibited at RGP-1 is a screen print of a page from the website eglinternational.org which gives Mr Huddleston's contact details for laboratories in the United Kingdom. There is no indication as to when this screen print was printed.

40) Exhibited at RGP-2 is an extract from Whois.Net giving information about the domain name egl-labs.com. The registrant is shown as being EGL of Ramat Gan in Israel. The domain name was created on 12 December 1996. The exhibit also includes extracts from the Internet archive website web.archive.org in relation to the domain name egl-labs.com. The printouts for 17 January 1999, 13 April 2000, 24 January 2001, 26 January 2002 and 6 February 2003 identify Mr Huddlestone as the representative of EGL in Great Britain and Mr Krasnianski as the representative in the United States.

The pleadings

41) Mr Norris in his submissions departed to some extent from the basis of the claim to bad faith made by Mr Margel. The pleaded case under section 3(6) of the Act is:

“Further or in the alternative, the Applicants for Trade Mark number 2326092 were aware at the time they made the application that while through an Agreement dated 1 January 1986 they had acquired certain limited Trade Mark rights to the US, they had not acquired the rights to the Trade Mark in the United Kingdom, and they were aware that the Applicant for invalidation was the owner of the Trade Mark in the United Kingdom.”

Mr Norris submitted that the application had been made “as an instrument to ‘bait’ Mr. Margel” and that EGL US did not have an intention to use the trade mark. The claim that there was no intention to use the trade mark is a completely different basis for the claim under bad faith. It was not one that was pleaded, it was not one that could even have been inferred and, consequently, it was not one to which EGL US could have filed a defence. If Mr Margel wished to add an additional basis to the claim under section 3(6) he could have requested an amendment of his groundsⁱⁱ. He did not do so. If the amendment had been accepted EGL US would then have been given an opportunity to consider its defence to the amended grounds. I can only consider the grounds as pleaded, EGL US can only have considered the grounds as pleaded.

42) The claim of passing-off is specific in that it claims that **Mr Margel** has acquired a substantial goodwill in respect of certificates (sic) of precious stones and jewellery, valuation and appraisal services relating to precious stones and diamonds, expert services carried out by laboratory examination of diamonds and precious stones and services relating to the issuance of certificates for diamonds and precious stones.

Material dates

Bad faith

43) The material date for bad faith is the date of the filing of the application for registrationⁱⁱⁱ; in this case 10 March 2003. Bad faith cannot be cured by some action after the date of the application^{iv}. (It may be, however, that actions after the date of application cast light on the decision to make an application for registration.)

Passing-off

44) A similar provision to section 5(4)(a) of the Act is to be found in Article 8(4) of Council Regulation 40/94 of December 20, 1993. This was the subject of consideration by the General Court (GC) in *Last Minute Network Ltd v Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM)* Joined Cases T-114/07 and T-115/07. In that judgment the GC stated:

“50 First, there was goodwill or reputation attached to the services offered by LMN in the mind of the relevant public by association with their get-up. In an action for passing off, that reputation must be established at the date on which the defendant began to offer his goods or services (*Cadbury Schweppes v Pub Squash* (1981) R.P.C. 429).

51 However, according to Article 8(4) of Regulation No 40/94 the relevant date is not that date, but the date on which the application for a Community trade mark was filed, since it requires that an applicant seeking a declaration of invalidity has acquired rights over its non-registered national mark before the date of filing, in this case 11 March 2000.”

I apply the reasoning of the GC, *mutatis mutandis*, in relation to the Act.

45) In my decision BL O/214/06^v I dealt with the issue of material dates in invalidation cases. In that decision I decided that in an invalidation action on relative grounds there were two material dates: the date of application for registration and the date of the hearing; the grounds for invalidation had to exist at both material dates for an applicant for invalidation to be successful. I am not aware of any judgments since I wrote that decision which lead me to question my findings re the material dates. The judgment of the GC in *MIP METRO Group Intellectual Property GmbH & Co KG v Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM)* Case T-191/04 strengthens my view that there are two material dates. So, Mr Margel has to establish that at each of these dates, 10 March 2003 and 18 January 2010, he could prevent, under the law of passing-off, the use of the trade mark by EGL US. There has been no use

of the trade mark by EGL US in the United Kingdom and so there is no question of a concurrent goodwill or senior user^{vi}. However, Mr Margel must establish that at each of these two dates he had a protectable goodwill in relation to the signs upon which he relies.

Section 5(4)(a) of the Act – passing-off

46) Mr Malynicz's rebuttal of the claim under section 5(4)(a) was based upon his submission that Mr Margel did not have a protectable goodwill in relation to the signs upon which he relies. He submitted that at best the evidence showed a trivial goodwill which was not protectable. If I considered that it had been established that there was a protectable goodwill in relation to the business and by reference to the signs upon which Mr Margel relies, Mr Malynicz submitted that the goodwill belonged to Mr Huddleston and not to Mr Margel and so the claim must fail as the pleadings specifically stated that the goodwill in relation to the business was owned by Mr Margel.

47) As submitted by Mr Malynicz, the law does not protect a trivial goodwill (as per *Hart v Relentless Records Ltd* [2003] FSR 36). However, it does protect a limited goodwill (see for instance *Stannard v Reay* [1967] FSR 140, *Teleworks v Telework Group* [2002] RPC 27 and *Stacey v 2020 Communications* [1991] FSR 49).

48) In relation to the establishment of goodwill Mr Malynicz referred to the judgment of Pumfrey J in *South Cone Inc v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* [2002] RPC 19:

“27 There is one major problem in assessing a passing off claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the Registrar is entitled to be presented with evidence which at least raises a prima facie case that the opponent's reputation extends to the goods comprised in the applicant's specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under 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.

28 Evidence of reputation comes primarily from the trade and the public, and will be supported by evidence of the extent of use. To be useful, the evidence must be directed to the relevant date.”

Professor Annand, sitting as the appointed person, in *Loaded* BL O/191/02, accepted that proof of goodwill could be accomplished by other means. The

judgment of Jacob LJ in *Phones4U Ltd v Phone4u.co.uk Ltd* [2007] RPC 5 warns against applying a formulaic approach. This was commented upon by Mr Richard Arnold QC, sitting as the appointed person, in *Aggregate Industries UK Limited v Cooper Clark Group Limited* BL O/178/06:

“15 As to point (ii), counsel for the applicant accepted that *REEF* does not establish that a claim for passing off will fail in the absence of trade evidence to support it. As Jacob LJ has recently explained in *Phones4U Ltd v Phone4u.co.uk Ltd* [2006] EWCA Civ 244 at [5], what a passing off claimant needs to do is to establish that he has built up a goodwill which the defendant is invading by a misrepresentation and accordingly what matters is what the claimant did to create a goodwill. Jacob LJ returned to this point at [33], saying that showing what had actually been done to publicise the name or badge relied upon was the key evidence and that in the case in question expert evidence was not required to infer from the proved use that the name must have been known to a substantial section of the public. As Jacob LJ explained, the test for establishing goodwill for the purposes of passing off is not the same as the test for establishing that a descriptive mark has acquired a distinctive character for the purposes of registration.”

In *Minimax GmbH & Co KG v Chubb Fire Limited* [2008] EWHC 1960 (Pat) Floyd J stated:

“8 Those observations are obviously intended as helpful guidelines as to the way in which a person relying on section 5(4)(a) can raise a case to be answered of passing off. I do not understand Pumfrey J to be laying down any absolute requirements as to the nature of evidence which needs to be filed in every case. The essential is that the evidence should show, at least prima facie, that the opponent's reputation extends to the goods comprised in the application in the applicant's specification of goods. It must also do so as of the relevant date, which is, at least in the first instance, the date of application.”

49) I will first deal with whether the evidence has established that there is a protectable goodwill in respect of certificates for precious stones and jewellery, valuation and appraisal services relating to precious stones and diamonds, expert services carried out by laboratory examination of diamonds and precious stones and services relating to the issuance of certificates for diamonds and precious stones by reference to the signs upon which Mr Margel relies (at both material dates).

50) Mr Huddlestone has issued at least 300 certificates per year, a figure that was not challenged during cross-examination. He has been issuing certificates in relation to the grading of diamonds since 1988 and has continued to do so up until the present time. Included in the evidence are copies of reports and

certificates relating to gemstones other than diamonds. There are four 'colored stone certificates', dated 17 June 1996, 17 April 1998 and two for 5 January 2005. None of these bear either of the signs upon which Mr Margel relies. There are five 'colour gemstone reports', dated 17 October 2002, 8 April 2003, 10 June 2003, 23 July 2003 and 25 November 2004. All of these bear the letters E.G.L. So Mr Huddlestone's work has not been confined to certifying the quality of diamonds. There is primary evidence of the business that has been carried out in the form of the copies of certificates and invoices. Mr Huddlestone makes it clear in his witness statement that the copies of certificates and invoices are only samples of what he has issued. Under cross-examination I found Mr Huddlestone an honest and straightforward witness who clearly has a passion for his profession. However, I note that there are inconsistencies in parts of his evidence, in relation to the costs of the certificates (see above). It is also difficult to conceive, given the figures that Mr Huddlestone gives, that the EGL work has constituted a large part of his livelihood since he started issuing EGL certificates, as Mr Huddlestone states. Under cross-examination Mr Huddlestone stated that the issuing of the certificates is "a very diminishing business". He also stated that HGC tests gemstones that are not certified, gives expert witness evidence, valuation work of jewellery and gemstone, consults on gemstone mining operations and teaches and so is clearly involved in many other areas of work. Consequently, it is necessary to exercise a degree of caution in relation to the scale of the business that Mr Huddlestone claims in his witness statement.

51) Mr Huddlestone has been certifying the quality of diamonds and other precious stones by reference to the signs upon which Mr Margel relies for some twenty years. His is not an enormous trade but as he stated in cross-examination this is, in itself, not an enormous business. Unlike in *Hart v Relentless Records Ltd* customers have paid for the services in the business. This is a long term business, with repeat customers. It is established that there is a protectable goodwill at both material dates in the business that Mr Margel identifies in his statement of grounds by reference to the signs upon which Mr Margel relies.

52) The question then falls as to ownership of this goodwill. Under cross-examination Mr Huddlestone was asked about the relationship of his business with that of Mr Margel.

"Q. So you regard yourself as being the exclusive owner of the EGL business in this country?

A. With his permission.

Q. Can I try and understand the nature of that permission. What does it involve? What are the terms of your arrangement with Mr Margel?

A. It was a gentleman's agreement on a handshake. By the way, that is a common way of doing things in the diamond trade. My word is my bond. We discussed the whole operation, that I would issue EGL certificates in London. That was the agreement made at the time.

Q. Did you ever discuss ownership of the UK customer base, what lawyers call "goodwill"?

A. I do not know whether there was any goodwill at that time, was there, before we started issuing the EGL certificates?

.....

Q. Let me put another scenario to you. Let us imagine Mr Margel decided that he personally wanted to come in and open up an EGL office and start issuing EGL UK certificates with Antwerp on them and all the trimmings. What would you say about that?

A. I consider that he would not be able to do that without agreement.

Q. Without your consent?

A. That is right. It is mutual.

Q. Can I be clear. There is no London office apart from you? You are EGL?

A. Yes.

Q. Have you made payments to Mr Margel under this gentleman's agreement?

A. No. He was just to be an affiliate.

Q. Were you ever required to make payments?

A. No.

Q. So it was not a question of you being legally required to make payments under an agreement but him letting you off?

A. No.

Q. You were never required?

A. No.

Q. Have you received any financial support from Mr Margel?

A. No.

Q. Have you received any promotional support from Mr Margel?

A. In the early days, yes. There were various promotional things.

Q. Like the Chronicle or something like that?

A. And various other things, yes.

Q. How often does Mr Margel visit you in London to check on your activities?

A. Not frequently.

Q. How often? When was the last time?

A. It could be a few years. I really do not know.

Q. Again, we have got dates to consider. 2003, was he visiting you at that time?

A. He could well have been. I do not know.

Q. But it was not a common thing?

A. No. It was not necessary.

Q. I am assuming he does not seek to influence the conduct of your work for him in any way?

A. No, he trusts my reputation. In the early days I purchased the blank certificates in a numbered quantity and accounted for them, to get the thing going.....

.....

Q. Let us just step back for a moment. What would you say is the reputation in general of the UK EGL lab, i.e. yourself? Would you say you have got a good reputation, a reputation for getting it more or less right most of the time?

A. We have a good reputation and, in fact, a reputation for being strict. For instance, if a diamond is on the borderline of two colours against a master stone we would, in fact, put it in a lower grade. Some labs might put it in a higher grade. That is what causes differences between laboratories.

Q. What about the other EGL labs such as Israel or Turkey? Would you say that they have the same unblemished reputation?

A. I have not been to those labs so I do not know their actual operating procedures.

Q. What about Belgium?

A. I have only been there once or twice, that is all.

Q. Do they run a pretty good outfit?

A. I am not responsible for their grading. With every lab -- it does not matter who you are -- you will get a difference between laboratories on opinion of clarity.

Q. Do I take you to be suggesting that you do not really ----

A. We are strict.

Q. You are stricter than Belgium?

A. Yes.

Q. You think you are stricter than Belgium specifically?

A. We try to aim at the highest.”

53) The responses of Mr Huddlestone show:

- Mr Margel has never been paid any money by Mr Huddlestone other than for blank certificates “in the early days”.
- The standards that laboratories issuing EGL certificates apply to grading of stones vary.
- Mr Huddlestone has not received any effective support from Mr Margel.
- Mr Margel does not check on the standards applied by Mr Huddlestone.
- Mr Huddlestone considers that his standards are stricter than those applied by the laboratory in Belgium that issues EGL certificates.

54) Mr Huddlestone considered that in relation to that part of his business that issues EGL certificates there are two attractive forces: his reputation and the international validity of an EGL certificate. This is a matter of Mr Huddlestone’s opinion rather than a fact.

55) Key to Mr Margel’s claim is that the, or an, attractive force in relation to the business conducted by Mr Huddlestone is the fact of the certificate being identified with EGL. The premise is then that EGL is identified with Mr Margel and that he owns the goodwill of a business associated with the use of the EGL name and logo.

56) Lord Macnaghten in *IRC v Muller & Co's Margarine Ltd* [1901] AC 217 gave what is the commonly accepted definition of goodwill:

"What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may preponderate here and another element there. To analyse goodwill and split it up into its component parts, to pare it down as the Commissioners desire to do until nothing is left but a dry residuum ingrained in the actual place where the business is carried on while everything else is in the air, seem to me to be as useful for practical purposes as it would be to resolve the human body into the various substances of which it is said to be composed. The goodwill of a business is one whole, and in a case like this it must be dealt with as such. For my part, I think that if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill perishes with it, though elements remain which may perhaps be gathered up and be revived again."

57) Goodwill is in a business and a question arises as to what business Mr Margel has or has had in the United Kingdom. As he is claiming a goodwill through the business of Mr Huddleston, the sole issuer of the certificates in the United Kingdom, he is effectively placing himself in the position of licensor to licensee.

58) It has long been established that the customer will often not know who is the owner or the ultimate owner of the goodwill in a business. In *The Birmingham Vinegar Brewery Co Ltd v Powell* [1897] AC 710 the Lord Chancellor stated:

"I am satisfied that a person who puts forward this "Yorkshire Relish", made as it is by the present Applicants, is representing it as being a particular manufacture. It may be true that the customer does not know or care who manufacturer is, but it is a particular manufacture that he desires. He wants "Yorkshire Relish" to which he has been accustomed, and which, it is not denied, has been made exclusively by the Plaintiff for a great number of years. This thing which is put into the hands of the intended customer is not "Yorkshire Relish" in that sense. It is not the original manufacture. It is not made by the person who invented it. Under

these circumstances , it is a fraud upon the person who purchases to give him the one thing in place of the other.”

In the same case Lord Herschell stated:

“It seems to me that one man may quite well pass off his goods as the goods of another if he passes them off to people who will accept them as the manufacture of another, though they do not know that other by name at all.”

The above relates to goods but there is no reason that it should not apply to services. So that the customer of Mr Huddlestone does not know of Mr Margel is not determinative of the ownership of the goodwill.

59) In this case there is no dispute between Mr Huddlestone and Mr Margel as to use of the signs upon which the latter relies. However, in considering to whom the goodwill belongs guidance can be sought from those cases where there was a dispute between licensor and licensee as to the ownership of the goodwill. Whatever the views of Mr Huddlestone and Mr Margel the ownership is a question of fact and one upon which I have to decide on the basis of the evidence before me. This is a key matter as the claim in relation to passing-off is based on the personal ownership of the goodwill of the business related to the name E.G.L. and the logo by Mr Margel; a claim which Mr Malynicz contests.

60) In *Scandecor Development AB v Scandecor Marketing AB and Another* [1999] FSR 26 the Court of Appeal held the following:

“The effects of the expansion of international trade, the globalisation of markets and the growth of multi-national corporate conglomerates, are all reflected in this and similar disputes. A company incorporated outside the United Kingdom and carrying on business in a number of other countries may expand into the U.K. market in a number of different ways. It may establish a branch or form a subsidiary company to manufacture or to trade in its products or services in the United Kingdom; or it may appoint an unconnected company to act as the sole or exclusive distributor of its products or the supplier of services in that local territory for a fixed term, or until terminated on notice or other specified events; or it may enter into an agreement with a local company to make and sell its products under licence. The local company may use the same marks in the territory as the foreign company uses in other territories both in its corporate name and in relation to its products and services. No problems are likely to occur while the local subsidiary, distributor, agent or licensee company is a member of the same group or is bound by a contractual arrangement containing provisions governing the use of the mark. Difficulties, like those in the present case, are likely to arise when the corporate or the contractual connection is severed and there are no express post-termination

contractual provisions designed specifically to regulate the future use of the mark in the local territory. Who is then entitled to use the mark in relation to goods or service or in the corporate or trading name?

The legal response is that this problem, if not solved by agreements, is ultimately soluble only by a factual inquiry will all the disadvantages of the length of its duration, the cost of its conduct and the uncertainty of its outcome. There are no quick, cheap or easy answers to be found in hard and fast legal rules, in binding precedents or in clear-cut factual and legal presumptions. As Lord Oliver said in his speech in *Reckitt & Colman Properties Ltd v. Borden Inc.* [1990] 1 W.L.R. 491 at 499C:

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.

The cases cited by Mr Wyand, Q.C. for SDAB and by Mr Young, Q.C. for S Ltd amply demonstrated the primacy of the particular facts of each case over legal precedent in this area of the law. Neither leading counsel found it difficult to distinguish the illustrative authorities cited by the other. Mr Wyand Q.C. liked *Bostitch Trade Mark* [1963] R.P.C. 183 , in which an overseas proprietor of a U.K. registered trade mark succeeded in fighting off an attempt by a U.K. distributor, whose agreement had terminated, to expunge the mark as deceptive, in circumstances where the U.K. distributor had used the mark in relation to goods not supplied by the overseas licensor, had not been under the control of the licence or in respect of that use, and had advertised itself during the licence as the distributor of the licensor's goods. The case demonstrates that the absence of the exercise of quality control is not fatal to a claim to the local goodwill by the foreign proprietor of a mark. See also *Bowden Wire Ltd v. Bowden Brake Co. Ltd* (1914) 31 R.P.C. 385 ; *The Roberts Numbering Machine Co. v. Davis* (1936) 53 R.P.C. 79 and *Aktiebolaget Manus v. R.J. Fulwood & Bland Ltd* (1948) 65 R.P.C. 329 , all cases in which a U.K. agent or licensee were held not to be entitled to use the mark after the termination of the licence under which goodwill had been built up for the benefit of the licensor.

Mr Young, Q.C. preferred *DIEHL Trade Mark* [1970] R.P.C. 435 , in which the U.K. importer and distributor, whose sole agency agreement had terminated, successfully resisted the attempt of the overseas licensor to challenge the registration of the mark used by the distributor in the United Kingdom during the currency of the licence both in its corporate name and in relation to the goods. Similarly, in *T. Oertli AG v. E. J. Bowman (London) Ltd* [1959] R.P.C. 1, the mark in dispute was held not to be

distinctive of the foreign licensor when an attempt was made to prevent its use by the U.K. licensee after the termination of the licence; and in *Adrema Ltd v. Adrema-Werke GmbH* [1958] R.P.C. 323, the local goodwill in the mark was held to be with the English subsidiary, which was a separate entity, rather than with the German holding company after they had ceased to be in that relationship.

The goodwill issue

Adapting Lord Oliver's formulation of the principal issue in *Reckitt & Colman* (*supra*, at p. 499H) the focal point of this case is: has SDAB proved that the marks under which the posters, calendars and other products have been sold in the United Kingdom by S Ltd since 1971 are associated in the minds of a substantial number of the purchasing retailers specifically and exclusively with SDAB and with SDAB's products?

.....

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

..... (5) We do not attach the same significance as the judge did to the fact that the newsletters and other publicity material of SM claim a corporate connection with the "world's largest poster company" or (to take a few further examples) that then refer to, "Scandecor as the world's leading specialist in top quality prints for decorative use", or to "Scandecor's premier position internationally" in relation to calendars, or to, "the name Scandecor the world's largest manufacturer and distributor of decorative paper products", or to, "Scandecor Worldwide". The judge found (paragraph 28) that there was:

a fairly general recognition that the products originated from abroad, in particular Sweden or Scandinavia generally, and that [S Ltd] was the U.K. distributor. No distinctions were drawn as regards this between posters and other products.

(6) In relation to the disputed goodwill, what matters is the identity of the person carrying on the trading activities in the local territory with the retailers: with whom do they associate the mark “Scandecor”? Mr Wyand emphasised the presentation of the image of the unified worldwide group, in preference to publicising and highlighting the divisions occurring within it. He relied on the publicity to the outside world (the “one face to the world” policy) and the claims by S Ltd to international connections. However, the commercial reality in the marketplace (and that is what really counts on this issue of entitlement to goodwill) is that SIAB neither had a business in the United Kingdom nor did it ever exercise control over any relevant business activities in the United Kingdom to which its goodwill could attach. The judge referred (at paragraph 21) to the evidence of the retailers called by the defendants who all associated the name “Scandecor” with S Ltd, the company with which they dealt and with whose service they were satisfied. Although some knew that the products or some of them were made in Sweden, they were more interested in the quality, price and service offered by the supplier than in the original source or publisher of the product. He also referred in the same paragraph to the evidence given by one of the plaintiff's witnesses (Mr Winship, an employee of S Ltd 1975–93) that the name and logo were used to distinguish products placed on the market by S Ltd from other companies' products, whether posters or calendars.”

61) I take from *Scandecor Development AB v Scandecor Marketing AB and Another* the following points:

- The question as to the ownership of the goodwill is soluble, in the absence of an agreement, only by considering the facts of the case.
- The absence of quality control is not fatal but is relevant to a claim to the local goodwill by the foreign proprietor of a mark.
- It is necessary to consider with whom the signs are associated in the minds of a substantial number of the purchasers of the services.
- There is no rule of law or presumption of fact that the goodwill generated by the activities of Mr Huddlestone accrues to Mr Margel.
- Mr Margel could have an “international” goodwill and Mr Huddlestone a local goodwill which could protect either or both against injury by a third party.
- The references to other EGL laboratories and the identification of HGC as an agent of EGL are not determinative of where the goodwill resides.
- In relation to the ownership of the goodwill, what matters is the identity of the person carrying on the trading activities in the local

territory with the customers: with whom do they associate the signs upon which Mr Margel relies?

62) The commercial reality in the marketplace is that Mr Margel has neither had a business in the United Kingdom nor has he ever exercised any control over any relevant business activities in the United Kingdom to which his goodwill could attach. Mr Huddlestone has stated that customers come to him for his expertise and also because he issues EGL certificates. Mr Huddlestone has not even, since the early days, purchased the blank certificates from Mr Margel. The service of the assessing of gemstones is associated solely with Mr Huddlestone and HGC, it is Mr Huddlestone and HGC that do the assessment. Mr Margel has no part in it whatsoever. There is not a common standard for the assessment of the gemstones. In his evidence Mr Margel refers to EGL's issuance of EGL diamond certificates and "use of the EGL trade marks". The evidence shows clearly that it is Mr Huddlestone and HGC that issue the certificates and use the signs upon which Mr Margel relies. EGL (whatever that is – see paragraph below) has never issued a certificate in the United Kingdom. The signs upon which Mr Margel relies are associated, in the United Kingdom, with Mr Huddlestone and HGC. **The goodwill in the business associated with the signs upon which Mr Margel relies belongs to Mr Huddlestone and HGC, it does not belong to Mr Margel. The claim under section 5(4)(a) of the Act fails.**

63) The above finding disposes of the grounds under section 5(4)(a) of the Act. However, I note the absence of clarity and specificity in relation to EGL and Mr Margel's relationship with it. Mr Margel describes himself as the International President of EGL which implies that EGL is a body of some description. He also refers to it as his company and refers to the records of his company. He refers to EGL issuing certificates (see paragraph above). If EGL is issuing certificates it must of its nature be some form of body. If it is a body is it an undertaking that is capable of holding property? If so why would the claimed goodwill accrue to Mr Margel rather than EGL? Mr Margel refers to himself as the International President of EGL and so it is not possible to view EGL as a trading name for Mr Margel, Mr Margel being a sole trader. One can hardly be a president of a sole trader. If I had not found that the goodwill in the business lies with Mr Huddlestone and HGC, on the basis of the evidence I could not find that the goodwill belongs to Mr Margel owing to the absence of evidence in relation to the nature of EGL and Mr Margel's relationship with EGL. These are matters with which it should have been easier to deal in evidence and with which the evidence should have dealt. Mr Margel owns various registered trade marks in his own name but this is not indicative of his relationship with EGL. In my experience it is not uncommon for directors of companies to apply for trade marks in their personal names rather than the company names. (The egl-labs.com domain name is registered in the name of EGL in Israel.)

Section 3(6) – bad faith

64) Bad faith includes dishonesty and “some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular field being examined^{vii}”. Certain behaviour might have become prevalent but this does not mean that it can be deemed to be acceptable^{viii}. It is necessary to apply what is referred to as the “combined test”. This requires me to decide what EGL US knew at the time of making the application and then, in the light of that knowledge, whether its behaviour fell short of acceptable commercial behaviour^{ix}. Bad faith impugns the character of an individual or collective character of a business, as such it is a serious allegation^x. The more serious the allegation the more cogent must be the evidence to support it^{xi}. However, the matter still has to be decided upon the balance of probabilities.

65) In *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Limited and others* [2008] EWHC 3032(Ch) Arnold J held:

“189. In my judgment it follows from the foregoing considerations that it does not constitute bad faith for a party to apply to register a Community trade mark merely because he knows that third parties are using the same mark in relation to identical goods or services, let alone where the third parties are using similar marks and/or are using them in relation to similar goods or services. The applicant may believe that he has a superior right to registration and use of the mark. For example, it is not uncommon for prospective claimants who intend to sue a prospective defendant for passing off first to file an application for registration to strengthen their position. Even if the applicant does not believe that he has a superior right to registration and use of the mark, he may still believe that he is entitled to registration. The applicant may not intend to seek to enforce the trade mark against the third parties and/or may know or believe that the third parties would have a defence to a claim for infringement on one of the bases discussed above. In particular, the applicant may wish to secure exclusivity in the bulk of the Community while knowing that third parties have local rights in certain areas. An applicant who proceeds on the basis explicitly provided for in Article 107 can hardly be said to be abusing the Community trade mark system.”

In *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* Case C-529/07 the European Court of Justice (ECJ) considered the concept of bad faith.

“40 However, the fact that the applicant knows or must know that a third party has long been using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought is not sufficient, in itself, to permit the conclusion that the applicant was acting in bad faith.....”

46 Equally, the fact a third party has long used a sign for an identical or similar product capable of being confused with the mark applied for and that that sign enjoys some degree of legal protection is one of the factors relevant to the determination of whether the applicant was acting in bad faith.

47 In such a case, the applicant's sole aim in taking advantage of the rights conferred by the Community trade mark might be to compete unfairly with a competitor who is using a sign which, because of characteristics of its own, has by that time obtained some degree of legal protection.

48 That said, it cannot however be excluded that even in such circumstances, and in particular when several producers were using, on the market, identical or similar signs for identical or similar products capable of being confused with the sign for which registration is sought, the applicant's registration of the sign may be in pursuit of a legitimate objective.

49 That may in particular be the case, as stated by the Advocate General in point 67 of her Opinion, where the applicant knows, when filing the application for registration, that a third party, who is a newcomer in the market, is trying to take advantage of that sign by copying its presentation, and the applicant seeks to register the sign with a view to preventing use of that presentation.

50 Moreover, as the Advocate General states in point 66 of her Opinion, the nature of the mark applied for may also be relevant to determining whether the applicant is acting in bad faith. In a case where the sign for which registration is sought consists of the entire shape and presentation of a product, the fact that the applicant is acting in bad faith might more readily be established where the competitors' freedom to choose the shape of a product and its presentation is restricted by technical or commercial factors, so that the trade mark proprietor is able to prevent his competitors not merely from using an identical or similar sign, but also from marketing comparable products.

51 Furthermore, in order to determine whether the applicant is acting in bad faith, consideration may be given to the extent of the reputation enjoyed by a sign at the time when the application for its registration as a Community trade mark is filed."

66) Mr Margel claims that the application for registration was made in bad faith as EGL US had acquired limited trade mark rights in the United States of America but that it had not acquired rights to the trade mark in the United

Kingdom and that it was aware that Mr Margel was the owner of the trade mark in the United Kingdom.

67) Parker J in *Burberrys v J C Cording & Co Ltd* [1909] 26 RPC 693 stated:

“The principles of law applicable to a case of this sort are well known. On the one hand, apart from the law as to trade marks, no one can claim monopoly rights in the use of a word or name. On the other hand, no one is entitled by the use of any word or name, or indeed in any other way, to represent his goods as being the goods of another to that other’s injury. If an injunction be granted restraining the use of a word or name, it is no doubt granted to protect property, but the property, to protect which it is granted, is not property in the word or name, but the property in the trade or good-will which will be injured by its use. If the use of a word or a name be restrained, it can only be on the ground that such use involves a misrepresentation, and that such misrepresentation has injured, or is calculated to injure another in his trade or business.”

Millett LJ in *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 stated:

“It is well settled that (unless registered as a trade mark) no one has a monopoly in his brand name or get up, however familiar these may be. Passing off is a wrongful invasion of a right of property vested in the plaintiff; but the property which is protected by an action for passing off is not the plaintiff’s proprietary right in the name or get up which the defendant has misappropriated but the goodwill and reputation of his business which is likely to be harmed by the defendant’s misrepresentation: see *Reddaway v. Banham* [1896] A.C. 199 per Lord Herschell; *Spalding v. Gamage* (1915) 32 R.P.C. 273 at page 284 per Lord Parker; *H.P. Bulmer Ltd. and Showerings Ltd. v. J. Bollinger SA and Champagne Lanson Pere et Fils (the Bollinger case)* [1978] R.P.C. 79 at page 93-4 per Buckley L.J.”

Mr Margel was not the owner of a registered trade mark in the United Kingdom at the date of the filing of the application for registration and so was not the owner of a trade mark in the United Kingdom at the date of the filing of the application for registration. Mr Margel’s claim would appear in effect to be that he was the owner of a goodwill in a business in relation to which the sign of the registration was used ie his claim under section 3(6) is inextricably linked to his claim for passing-off. **As I have decided that Mr Margel does not and did not have a protectable goodwill in relation to the signs upon which he relies this claim must fall; the fundamental premise of the claim being Mr Margel’s “ownership” of the trade mark in the United Kingdom.** As Mr Malynicz emphasised it is necessary to consider the claim as made in the statement of grounds; not the new basis the Mr Norris brought in in his submissions: that the

application was made to bait Mr Margel and that EGL US did not have an intention to use the trade mark for the services for which it had been applied.

68) The above disposes of the claim under section 3(6) of the Act. However, for the sake of completeness, in the event of an appeal, I will consider other aspects of the claim under section 3(6) of the Act.

69) The combined test requires that the state of knowledge of the applicant for registration, at the time of the filing of the application, is taken into account. Mr Margel argues that EGL US knew about the use in the United Kingdom of the signs upon which he relies. EGL US denies that it had any such knowledge. Under cross-examination Mr Krasnianski denied knowing of the existence of Mr Huddlestone and HGC when EGL US made the application. Mr Krasnianski indicated that he had no knowledge of Hatton Garden let alone Mr Huddlestone and his business. From the evidence and the cross-examination Mr Krasnianski is clearly the controlling mind behind EGL US, his state of knowledge is key to the issue. It is Mr Margel's claim that he and EGL US must have known of the use of the signs upon which Mr Margel relies in the United Kingdom. Firstly he bases this on the information relating to Mr Huddlestone in *The EGL Chronicle* of Summer 1995. Mr Krasnianski, in cross-examination, could not remember if he had received this particular publication. There is no evidence that Mr Krasnianski received the publication and even if he had received it that he had read it and if he had read it that he would remember the article about Mr Huddlestone nearly 8 years later. The existence of that publication says nothing about the state of knowledge of Mr Krasnianski at the time of the filing of the application. The other basis for the claim is the presence of references to both Mr Huddlestone and Mr Krasnianski on the website of EGL. The evidence shows that references to both gentlemen appeared on the website in 1999, 2000, 2001, 2002 and 2003. Under cross-examination Mr Krasnianski stated that he was not aware of what was on the website as he was computer illiterate. Such a response may appear convenient. However, the bald fact of the existence of the website and its content does not tell one about the state of the knowledge of Mr Krasnianski/EGL US at the date of the application for registration. There is no evidence as to this state of knowledge and so it is not possible to conclude definitely that Mr Krasnianski/EGL US knew what was on the website and so would have been alerted to Mr Huddlestone/HGC's business in London.

70) In his cross-examination Mr Margel answered questions as to his view of the knowledge of Mr Krasnianski in relation to the business of Mr Huddlestone and HGC:

"A. I told him. I spoke to him. He knew about it. You have to prove that he did not know.

Q. No doubt he will be asked that.

A. I spoke to him about it all the time. He was asking me, "How is Mr Huddlestone doing?"

Q. Mr Margel, you did not mention that at all in your witness statement?
A. No. I did not write this statement.
Q. That is not correct. You never told him that Mr Huddlestone was trading in the UK?
A. What?
Q. You never told him that Mr Huddlestone was trading in the UK --
A. To whom?
Q. -- in 2003?
A. When?
Q. In 2003.
A. That is right, I never told him in 2003. I told him in 1988. Since 1988 he knows Mr Huddlestone and Mr Huddlestone knows Nachum. Everybody knows everybody in our organisation.
Q. As of 2003 he had no idea that Mr Huddlestone was trading any longer in the UK under the EGL name, did he?
A. Say that again.
Q. As of 2003, Nachum had no knowledge that Mr Huddlestone was actually continuing to trade in the UK under the EGL name, did he?
A. He is not such a fool. Of course he knew."

71) Mr Krasnianski was asked about the material that he issued which referred to an EGL operation in London. I reproduce below some of the responses from Mr Krasnianski to the questions of Mr Norris in relation to this matter:

"Q. In 2003 when you applied for the mark you were aware that the UK branch of EGL was still trading, were you not?
A. No. I had a very good experience with Canada. Mr Margel always put that he has a lab in Canada. We found out it was baloney. There was no lab and there were no trade marks. We registered Canada. We have two labs operating in Canada while Mr Margel was saying in Canada he has a lab. He did not have a lab. We have not seen any certificates from the United Kingdom. We have not heard from any dealer that he got any certificates in the United Kingdom. We had no reason to believe that there was a lab. Margel's stories, as it happened in Canada, applied to England too.
Q. Are you saying you never knew of the UK branch trading?
A. There was never an EGL in the UK. We have never seen a certificate. We have never heard from a dealer. Margel told stories but Margel's stories were lies.
Q. Can I ask you to get out GM9. These are a series of photocopies from this particular flyer. Do you recognise that flyer?
A. Yes.
Q. It is your flyer, is it not?
A. It is, yes.
Q. Can you date this flyer?
A. Not exactly, but it is an old flyer.

Q. Can you look at one of the pages, which has a copy of the certificate on it on the left hand side?

A. Yes.

Q. You see at the bottom it says "June 6, 1997". So it is from about that time, is it not?

A. Probably.

Q. Mid to late 1990s. It cannot be before that. It will be after that date?

A. Yes.

Q. Do you also see on the back cover there is a list of offices?

A. Yes.

Q. The second one from the bottom says "London 1986"?

A. Yes.

Q. Is your copy in colour and clear?

A. Yes.

Q. In 1997 you were advertising to the world that there was a London office which had been opened since 1986, is that correct?

A. When we made that brochure we asked Margel where his office was. I have a form with Margel's handwriting where he writes when he opened this lab and when he opened that lab. From that list, which I have, we copied it. I did not think at that time that he could make up a story. That was before we found out that the Canada story was baloney. At that time whatever he said we accepted. Then we found out that that is not necessarily the case. I still have the paper which he wrote for me because I did not know. He wrote it for me, what it is, and I accepted it.

Q. But you were promoting yourself on the basis that there was a London office, were you not?

A. Yes. Then we stopped. We realised that nothing comes out of there, we do not hear anything and we do not see anything.

Q. When did you stop?

A. I do not know.

.....

Q. Did you not enquire from him whether or not the UK branch was trading?

A. We knew it was not trading. No dealer ever spoke about it and we have not seen any certificate. It is a lawyer's job to find ----

Q. But Mr Margel had said to you that he had given you the list of offices?

A. He gave me Canada too and we found out it was baloney. We registered in Canada and we operate two laboratories in Canada.

Q. He lists a whole list of offices in his details?

A. He may list.

Q. You did not speak to him? You did not ask him?

A. Why do I have to ask him for?

Q. Because he says he was trading in London.

A. He said he was trading in Canada.

Q. He does not list Canada?

A. Who did not list Canada, Margel?

Q. Mr Krasnianski, let us get this straight. You are telling me that you never asked Mr Margel about trading in the London office?

A. No.

Q. Why not?

A. I would not ask him about anything.

Q. Why not?

A. Because it is baloney.

Q. But you knew he was claiming the rights?

A. I knew he was claiming. He was claiming Canada.

Q. And Antwerp?

A. Antwerp we had no interest in because we knew he was there. We have seen him. We have never seen anything for England, not Mr -- whatever his name is.

Q. You did not care whether or not he had an interest in England?

A. That is a lawyer's job. I did not do it. Actually, the one who did it was Mark Gershberg. It was not me. He was involved in it. Mark Gershberg was the one who actually worked on it, not me.

Q. You were aware that the registration was being applied for?

A. What?

Q. You were aware that the UK mark was being applied for?

A. Yes. The same thing in Japan, the same thing in Thailand and the same thing in Brazil. We registered in numerous places.

Q. Considering the protracted history you two had by that time in 2003 did you not think that you ought to have spoken to Mr Margel about this?

A. I spoke to him about one thing, "Stop cheating the consumer". That is the only thing I spoke to him time and time again about, as did Mr Huddlestone. Outside he told me he told him time and time again, "Stop doing it".

Q. Had you looked on the internet ----

A. I am not computer literate.

Q. I thought you might say that.

A. We have had a computer since 1980, it did not click.

Q. What really motivated you to apply for the UK registration was getting back at Mr Margel?

A. De Beers started stocking and actually they do sell polished diamonds, which they did not before. Polished diamonds need laboratories for the consumer. Wherever the market is, this is where we registered. We went where a possible market is going to be. Thailand is the centre of polished stones. Japan is a major market. Thailand is mining and cutting polished stones. We went there. England was a place where there was an announcement, or at least there were rumours -- and it became true -- that De Beers is selling polished diamonds."

72) It is clear from the cross-examination of Mr Krasnianski and Mr Margel that at the time of the filing of the application for registration relations between them were not harmonious. Their claims as to knowledge of Mr Huddlestone are

contradictory. Mr Margel in his cross-examination stated that Mr Malynicz had to prove that Mr Krasnianski did not know of Mr Huddlestone. The onus is not upon Mr Krasnianski or EGL US to prove its case but for Mr Margel to prove his case.

73) Mr Krasnianski puts forward that he did not believe what Mr Margel had told him about there being a business in the United Kingdom as Mr Margel had misled him about claims to having a business in Canada. Is this position a reasonable one or was Mr Krasnianski keeping himself in ignorance and if so could such wilful ignorance bring the application within the parameters of bad faith? In *Harrison v Teton Valley Trading Co* [2005] FSR 10 Sir William Aldous considered the state of knowledge of the applicant and whether the applicant should have made further enquiries. He stated:

“37 I accept that there was no evidence that the applicant deliberately avoided asking questions, in the sense of considering and rejecting asking questions, nor that if he had Mr Rymer would have told him the truth. However it would be wrong to view those statements by the hearing officer as being the basis upon which he decided the case. He decided, taking into account the belief of the applicant and the surrounding facts, that bad faith had been established. That bad faith was the result of all the facts and because the applicant made no further enquiries. I believe that the hearing officer was right to come to that conclusion.

38 The applicant believed Mr Rymer when he told him that he owned the name and the recipe of a cocktail called CHINA WHITE. The applicant knew of the club called CHINAWHITE and that neither he nor Mr Rymer had any right or interest in it. He knew that a cocktail called CHINAWHITE was being served at the club. With that knowledge he then applied for a trade mark registration which, despite the completely untenable suggestion to the contrary by Mr Silverleaf based on s.11(2)(a) and (b) of the 1994 Act, would, when granted, have enabled him to prevent use by the opponents of the word CHINAWHITE upon price lists in their club. The suggestion that the name CHINAWHITE, being used in relation to a cocktail, added nothing to the reputation of the club is neither here nor there. A person in the position of the applicant adopting proper standards would despite believing Mr Rymer have not applied for a monopoly which would have enabled him to prevent the opponents carrying on their business of selling their CHINAWHITE cocktail and drinks under that name as they presently were. To make such an application, as he did, amounted to bad faith. I conclude that both the hearing officer and judge were right and that the appeal should be dismissed.”

In the above case the applicant knew of the club called Chinawhite and so he had a definite state of knowledge and the case turned upon this knowledge and the effect that the registration could have had on the trade of the club.

Consequently, the above case turns upon its own facts which are very different from those of this case.

74) Would an application be made in a state of wilful ignorance? It is difficult to see what the advantage would be to an applicant. It is inherently improbable that an applicant would make an application in a state of wilful ignorance in order to defeat a claim of bad faith that might be made at some future date. This would presuppose also that an applicant would be au fait with the combined test that is applied and was at the application stage deciding that it would defeat a claim on the basis of its lack of subjective knowledge. There is no onus upon an applicant to make clearance searches before making an application for the registration of a trade mark, although the cautious are likely so to do. In the end the question boils down, on the basis of Mr Margel's claim, to whether at the time of the filing of the application he knew of the business of Mr Huddlestone/HGC in the United Kingdom. Mr Krasnianski stated that the business was too small to be noticed by him in the United States of America, that until the hearing he had never met Huddlestone and until he saw the evidence he had not heard of Mr Huddlestone. The business of Mr Huddlestone/HGC is small, Mr Norris asked Mr Krasnianski:

"Do you accept that this diamond certificate business is in fact a specialised niche business focused in the UK around Hatton Garden?"

To which Mr Krasnianski replied:

"I have no idea what Hatton Garden is."

The inference from Mr Norris's question is that he accepts that Mr Huddlestone/HGC's business is a niche market and so there is no reason that the actual business would come to the attention of a company in New York. Mr Margel states that he and Mr Krasnianski chatted about Mr Huddlestone. On the basis of their behaviour under cross-examination I am unable to draw a conclusion as to whom is telling the truth in relation to this matter. It is quite possible that each believes what he said. Consequently, the only way of deciding the matter is on the basis of the documented evidence.

75) Neither individual parts of the evidence nor the evidence as a whole establishes that at the time of the filing of the application for registration that Mr Krasnianski/EGL US knew of the business conducted by Mr Huddlestone/HGC and so if I had not found against Mr Margel under this ground in paragraph 67, Mr Margel would fail owing to the absence of subjective knowledge of the applicant for registration at the date of the filing of the application.

76) If it had been established that Mr Krasnianski/EGL US had known of Mr Huddlestone/HGC's business this, as per *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* and *Hotel Cipriani SRL and others v Cipriani*

(Grosvenor Street) Limited and others, would not have of itself been determinative of the application for registration having been made in bad faith.

77) In his cross-examination Mr Krasnianski claimed that the application had been made because De Beers had started stocking and selling polished diamonds and this business would have needed laboratories. Mr Norris submitted that this explanation should not be given any weight as Mr Krasnianski had not put this claim in evidence, it had only been put forward at the hearing. However, this response came to a claim by Mr Norris that there had been no intention to use the trade mark; not something that had been pleaded and so not something in relation to which there could be expected to be evidence. This underlines the necessity that the case is considered on the basis of the pleaded case.

COSTS

78) EGL US having been successful is entitled to a contribution towards its costs. Mr Malynicz submitted that I might consider an above the scale cost award owing to the bad faith attack. The awards of costs are made to reflect the work expended on the prosecution of a case, they do not distinguish and discriminate on the basis of the nature of the claims. I do not consider that it is appropriate to make an award of costs above the scale. Mr Norris submitted that I should take into account that a previous hearing date had been vacated owing to the lateness of a request for cross-examination and owing to the original absence of an indication as to exactly whom the request related. Preparation for the vacated hearing would have been carried over to the present hearing and so I cannot see that any additional expenses would have been incurred.

79) EGL US is entitled to a contribution towards the costs in relation to Mr Krasnianski's attendance at the hearing. If EGL US wishes to make a claim for such expenses it should produce a detailed breakdown of the travel and accommodation costs incurred by Mr Krasnianski in relation to his attendance for cross-examination within four weeks of the date of the issue of this decision.

80) I will issue a supplementary decision in relation to costs after this four week period has expired.

81) The appeal period in relation to this decision will run concurrently with that of the supplementary decision, once it has been issued.

Dated this 10 day of February 2010

**David Landau
For the Registrar
the Comptroller-General**

ⁱ “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.

(2A)* But the registration of a trade mark may not be declared invalid on the ground that there is an earlier trade mark unless –

(a) the registration procedure for the earlier trade mark was completed within the period of five years ending with the date of the application for the declaration, (b) the registration procedure for the earlier trade mark was not completed before that date, or (c) the use conditions are met.

(2B) The use conditions are met if –

(a) within the period of five years ending with the date of the application for the declaration the earlier trade mark has been put to genuine use in the United Kingdom by the proprietor or with his consent in relation to the goods or services for which it is registered, or (b) it has not been so used, but there are proper reasons for non-use.

(2C) For these purposes –

(a) use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and (b) use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes.

(2D) In relation to a Community trade mark or international trade mark (EC), any reference in subsection (2B) or (2C) to the United Kingdom shall be construed as a reference to the European Community. (2E) Where an earlier trade mark satisfies the use conditions in respect of some only of the goods or services for which it is registered, it shall be treated for the purposes of this section as if it were registered only in respect of those goods or services.

(2F) Subsection (2A) does not apply where the earlier trade mark is a trade mark within section 6(1)(c)

(3) An application for a declaration of invalidity may be made by any person, and may be made either to the registrar or to the court, except that-

(a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and

(b) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer the application to the court.

(4) In the case of bad faith in the registration of a trade mark, the registrar himself may apply to the court for a declaration of the invalidity of the registration.

(5) Where the grounds of invalidity exists in respect of only some of the goods or services for which the trade mark is registered, the trade mark shall be declared invalid as regards those goods or services only.

(6) Where the registration of a trade mark is declared invalid to any extent, the registration shall to that extent be deemed never to have been made:

Provided that this shall not affect transactions past and closed.”

(The transitional provisions of The Trade marks (Relative Grounds) Order 2007 mean that that Order does not have effect in this case:

“(2) Article 5 shall not apply to an application for a declaration of invalidity which relates to a trade mark the application for the registration of which was published before the coming into force of this Order.”

The order came into force on 1 October 2007.)

ⁱⁱ See by analogy the decision of Mr Simon Thorley QC, sitting as the appointed person, in *Coffeemix Trade Mark* [1998] RPC 717. The criteria relevant to applications for amendment of grounds were considered in *Willis Arnold Charlesworth v Relay Roads Limited (in liquidation)* [2000] RPC 300, *Kambly SA Spécialitiés de Biscuits Suisses v Intersnack Knabber-Gebäck GmbH & Co KG* [2004] EWHC 943(Ch) and *Mastercard International Incorporated v Hitachi Credit (UK) Plc* [2005] RPC 21).

ⁱⁱⁱ *Hotpicks Trade Mark* [2004] RPC 42 and *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* Case C-529/07 paragraph 35.

^{iv} *Nonogram Trade Mark* [2001] RPC 21.

^v “9) Having received the skeleton arguments, I notified counsel that I considered that it would be helpful to receive submissions in relation to what the material date(s) was. I drew their attention to the comments of Professor Annand, sitting as the appointed person, in BL O/227/05:

“My own view is that the starting point for assessing relative invalidity under section 47(2) is the date of the application for registration of the attacked mark. This is because Article 4 of the Directive: (i) defines “earlier trade marks” for the purposes of relative invalidity as trade marks with a date of application for registration which is earlier than the date of application for registration of the attacked mark; and (ii) requires other earlier rights to have been acquired before the date of the application for registration of the attacked mark. However, I believe the wording of Article 4 (section 47(2)) may allow the tribunal to take into account at the date when invalidation is sought, matters subsequently affecting the earlier trade mark or other earlier right, such as, revocation for some or all of the goods or services, or loss of distinctiveness or reputation. I do not find the fact that the Directive specifically provides for defences to invalidation of non-use, consent and acquiescence indicative either way. A further question concerns the cut-off date for taking into account subsequent events. Is this the date of the application for a declaration of invalidity or the date when the invalidity action or any appeal is heard? The Opinion of Advocate General Colomer in Joined Cases C-456/01 P and C-457/01P *Procter & Gamble v. OHIM*, 6 November 2003, paragraphs 43 – 44, and the Court of First Instance decision in Case T-308/01 *Henkel KGaA v. OHIM (KLEENCARE)*, 23 September 2003, paragraph 26, although concerned with registrability and opposition respectively, indicate the latter. There are indications that timing issues under the harmonised European trade marks law are beginning to be brought to the attention of the ECJ (see, for example, the questions referred in Case C-145/05 *Levi Strauss & Co. v. Casucci SPA*).”

I also asked them to consider the findings of the European Court of Justice (ECJ) in *Levi Strauss & Co v Casucci SpA* Case C-145/05. In that case the ECJ stated:

“17 The proprietor’s right to protection of his mark from infringement is neither genuine nor effective if account may not be taken of the perception of the public concerned at the time when the sign, the use of which infringes the mark in question, began to be used.

18 If the likelihood of confusion were assessed at a time after the sign in question began to be used, the user of that sign might take undue advantage of his own unlawful behaviour by alleging that the product had become less renowned, a matter for which he himself was responsible or to which he himself contributed.

19 Article 12(2)(a) of Directive 89/104 provides that a trade mark is liable to revocation if, after the date on which it was registered, in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service in respect of which it is registered. Thus, by balancing the interests of the proprietor against those of his competitors in the availability of signs, the legislator considered, in adopting this provision, that the loss of that mark’s distinctive character can be relied on against the proprietor thereof only where that loss is due to his action or inaction. Therefore, as long as this is not the case, and particularly when the loss of the distinctive character is linked to the activity of a third party using a sign which infringes the mark, the proprietor must continue to enjoy protection.

20 In the light of all the foregoing, the answer to the first and second questions must be that Article 5(1) of Directive 89/104 must be interpreted as meaning that, in order to determine the scope of protection of a trade mark which has been lawfully acquired on the basis of its distinctive character, the national court must take into account the perception of the public concerned at the time when the sign, the use of which infringes that trade mark, began to be used.

36 Accordingly, after revocation in the particular case has been established, the competent national court cannot order cessation of the use of the sign in question, even if, at the time when that sign began to be used, there was a likelihood of confusion between the sign and the mark concerned.

37 Consequently, the answer to the fourth question must be that it is not appropriate to order cessation of the use of the sign in question if it has been established that the trade mark has lost its distinctive character, in consequence of acts or inactivity of the proprietor, so that it has become a common name within the meaning of Article 12(2) of Directive 89/104 and the trade mark has therefore been revoked.”

Subsequently, counsel produced supplementary skeleton arguments and addressed this matter.

10) Under Article 4.4 (b) the rights must have been acquired prior to the date of application for registration. That right is also qualified as being a right that would confer upon the proprietor the right to prohibit the use of a subsequent trade mark. So one material date is clearly set out in the Directive. UK has to establish that by the date of application for registration, 18 December 1992, it could prevent the use of the trade mark under the law of passing-off. If it cannot do this its case is lost. It is well established that the material date for passing-off is the date of the behaviour complained of (see *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] RPC 429 and *Inter Lotto (UK) Ltd v Camelot Group PLC* [2004] RPC 8 and 9). Owing to Article 4.4 (b) the date for establishing the preventive right cannot be later than the date of application, but passing-off is about the behaviour complained of. So one could look to a date earlier than the date of application if the behaviour complained of arose before the date of application. In this case the behaviour complained of is the use of the trade mark in relation to the goods of the registration. There is no evidence of any such use prior to 18 December 1992. So the first material date is the date of application.

11) Article 4.4 (b) of the Directive and section 47(2)(b) of the Act use the present tense. Too much can be easily read into the use of the present tense, it is the natural tense to use in legislative texts; which are not drafted by committees of philologists. The comments of Professor Annand and the judgment of the ECJ in *Levi Strauss & Co v Casucci SpA* suggest that a later date may also need to be considered; so that an applicant will not only have to succeed in its claim at the date of application but also at a later date. This is clearly the position in relation to grounds relating to the distinctiveness of a trade mark. The proviso to section 47(1) of the Act, derived from Article 3.3 of the Directive, states that a trade mark registered in breach of subsection (3)(1)(b), (c) or (d) of the Act 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. So the Act recognises, at least in relation to certain grounds, that where the grounds no longer exist a trade mark shall not be declared invalid.

12) One can consider certain situations in relation to applications for invalidation on relative grounds. A registration is attacked on the basis of the law of passing-off. The registration was filed twenty years earlier. At the time that attacker could succeed, however, its goodwill has dissipated and the registered proprietor has built up its own goodwill. So the attacker would not have been able to succeed in a passing-off case for fifteen years. It would seem odd that such an attacker could succeed. A trade mark registration may have lapsed after the date of application for a registration and after it was registered. The attacker could prove use within the relevant period although it no longer had a trade mark registration. Again it would seem odd that a registration should be invalidated because of a trade mark registration that no longer existed. In *Levi Strauss & Co v Casucci SpA* the ECJ clearly considered that matters after registration of a trade mark had to be taken into account in an infringement action and will have a bearing on the remedies of the action.

13) It is difficult to see the purpose of invalidating a trade mark when the basis for the invalidation no longer exists. In these circumstances, I consider that the use of the present tense does have weight and effect; it is intrinsic to the purpose of the Directive and the Act. It is a position that is, in my view, recognised by the ECJ in *Levi Strauss & Co v Casucci SpA*. Consequently, there is a

second later date that has to be considered in an invalidation action. What is that date? Ms Clark submitted:

"I think the same must apply here because otherwise you have an open-ended enquiry and it is difficult to see how you could ever complete the rounds of evidence. As a purely practical matter, I would tend towards saying that you are looking at the date of the application for a declaration of invalidity because I cannot see otherwise how you conclude your rounds of evidence or end up at a decision. Supposing you go up on appeal. Fresh evidence as to what has happened since the hearing below. Is it the case that when the rounds of evidence finish as in some cases happen in 2003 and then the parties talk for four years you get to 2007 and they say, "Oh, hang on a minute, things have moved on, Registry.""

So she adopted a pragmatic approach, which gave the second date as that of the date of application for invalidation. It is certainly a pragmatic approach that would be to the administrative convenience of the Registry. However, such an approach could be to the distinct inconvenience of a registered proprietor. The fundamental principle has to be, in my view, should the trade mark be declared invalid with all the evidence in and considered. In *Scandecor Development AB v Scandecor Marketing AB* [2002] FSR 7 Lord Nicholls stated:

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

So he was looking at the date of trial as the date at which the question had to be considered. This was a case dealing with section 46(1)(d) of the Act, revoking a trade mark registration on the basis that in the consequence of the use made of it, it is liable to mislead the public. The principle seems good for an invalidation action on relative grounds. If at the date of the trial/hearing there is no longer a basis to invalidate a trade mark, should it be invalidated for administrative convenience. If one is attaching one self to the date of application for invalidation, does one ignore evidence filed in the evidence rounds dealing with matters after the date of application? The latter course of action would seem to be untenable. Taking the date of hearing as the second material date may give rise to administrative problems at times but administrative convenience should not override the purpose of the law. If late evidence is filed, there can always be compensation in costs for the other side. I consider that the second material date has to be the date of the hearing.

14) So the first material date is the date of application for registration and there is a second material date, the date of the hearing. So for UK to succeed it has to establish that it could have prevented use of the trade mark as of 18 December 1992 and that it could also have prevented use of the trade mark on 6 June 2006. It has to succeed on both dates; if it fails in relation to the first material date, its case fails."

^{vi} In relation to this see the decision of Mr Geoffrey Hobbs QC, sitting as the appointed person, in *Croom's Trade Mark Application* [2005] RPC 2:

"45 I understand the correct approach to be as follows. When rival claims are raised with regard to the right to use a trade mark, the rights of the rival claimants fall to be resolved on the basis that within the area of conflict:

(a) the senior user prevails over the junior user;

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- (b) the junior user cannot deny the senior user's rights;
(c) the senior user can challenge the junior user unless and until it is inequitable for him to do so.”

^{vii} *Gromax Plastics Limited v. Don and Low Nonwovens Ltd* [1999] RPC 367.

^{viii} *Harrison v Teton Valley Trading Co* [2005] FSR 10.

^{ix} (1) *Barlow Clowes International Ltd. (in liquidation)* (2) *Nigel James Hamilton and (3) Michael Anthony Jordon v (1) Eurotrust International Limited (2) Peter Stephen William Henwood and (3) Andrew George Sebastian* Privy Council Appeal No. 38 of 2004 and *Ajit Weekly Trade Mark* [2006] RPC 25.

^x See *Royal Enfield Trade Marks* [2002] RPC 24.

^{xi} *Re H (minors)* [1996] AC 563.