

O-072-11

TRADE MARKS ACT 1994

IN THE MATTER OF TRADE MARK REGISTRATION 2126981

IN THE NAME OF BEDLAM PUZZLES LIMITED

IN RESPECT OF THE TRADE MARK:

BEDLAM

IN CLASS 28

AND

AN APPLICATION TO RECTIFY THE REGISTER (UNDER NO 83587) BY:

MR BRUCE BEDLAM

TRADE MARKS ACT 1994

In the matter of trade mark registration 2126981 in the name of Bedlam Puzzles Limited

and

an application to rectify the register (under no 83587) by Mr Bruce Bedlam

Background

1) The trade mark the subject of this dispute consists of the word BEDLAM. It is registered in respect of “three-dimensional puzzles” in class 28. The registered proprietor is Bedlam Puzzles Limited (“BPL”).

2) It is not in dispute that BPL became the registered proprietor following an agreement with Mr Bruce Bedlam to assign the trade mark to it. Mr Bedlam applied for the trade mark on 18 March 1997. (At the time of the application for registration Mr Bedlam’s name was Leslie Heaton, he changed his name to Bruce Bedlam by deed poll on 23 May 2002.) The application was registered on 3 December 1997.

3) An agreement between BPL and Mr Bedlam was made on 29 October 2004. The agreement relates to Mr Bedlam granting to BPL “an exclusive worldwide license to develop, manufacture, market, distribute and sell the puzzle referred to as “The Bedlam Cube””. As part of this agreement Mr Bedlam agreed to assign the trade mark to BPL. A form TM16 “application to record a change of ownership” was submitted to the Intellectual Property Office on 3 June 2005. The form indicates that BPL took ownership of the trade mark on 29 October 2004, i.e. as of the date of the agreement. The form TM16 is signed by Mr Bedlam and, also, by Mr Daniel Bamping and Mr Martin Truman, director and secretary respectively, of BPL.

The pleaded case and the defence

4) Mr Bedlam’s pleaded case is as follows:

- a) That he terminated the agreement with BPL on 11 February 2009. Mr Bedlam terminated the agreement as he (or more specifically his nominee) was unable to carry out an audit of BPL’s sales, which Mr Bedlam required due to the non-payment of royalties.
- b) That following the termination of the agreement the ownership of the trade mark should, in accordance with the agreement, be assigned back to Mr Bedlam. Despite requests to do so, BPL has not assigned the trade mark to Mr Bedlam.

- c) That due to BPL not assigning the trade mark to Mr Bedlam, he is entitled to enforce the agreement and requests that the register be amended to show Mr Bedlam as the proprietor.
- 5) BPL defends the rectification on the following basis:
- a) That the re-assignment of the mark to Mr Bedlam is subject to certain conditions (full market value and costs) which have not been met.
 - b) That royalties have not been paid from quarter 3 of 2007 due to a dispute with Mr Bedlam regarding claimed misrepresentations he made to BPL in relation to design right and copyright associated with the Bedlam Cube.
 - c) That access to Mr Bedlam's auditor was denied for two reasons: i) due to BPL being on the brink of receivership and, ii) because of the dispute between the parties referred to in b) above.
 - d) That the Intellectual Property Office's tribunal is not the correct forum for the settlement of the dispute between the parties.

Following the filing of evidence, a hearing took place by telephone conference which was attended by Mr Truman (of Trulegal Solicitors) who represented BPL and by Mr Selby-Bennet (of Humphries Kirk) who represented Mr Bedlam.

The evidence

6) The parties' primary "evidence" is contained in Mr Bedlam's statement of case, BPL's response (its defence) and Mr Bedlam's statement of case in response. None of this was in proper evidential form when first filed. Mr Bedlam regularised this shortly before the hearing by providing a witness statement explaining that what he had stated was true then and is still true. BPL's defence (and the facts contained therein) was set out by Mr Bamping. At the hearing I directed that Mr Bamping provide a confirmatory witness statement in the same way as Mr Bedlam had done. This direction was subsequently complied with. There is, therefore, no issue as regards taking any of this evidence into account.

Mr Bedlam's evidence

7) Mr Bedlam is an inventor and designer who invented the Bedlam Cube (a three dimensional puzzle) in 1983/4. The invention was subject to a patent which was applied for in 1984 and expired in 1999.

8) Mr Bedlam states that BPL was set up by Daniel Bamping, Martin Truman and Paul Burke to sell the products that he designed. The relevant agreement between BPL and Mr Bedlam is shown in Annex A of Mr Bedlam's initial statement. Given its importance to these proceedings, it is reproduced in full in

the annex to this decision. The key points, of what is headed as a “licence agreement”, are:

- Prior to the agreement a licence agreement (dated 9 April 2003) between Mr Bedlam and Future Planet Limited was in place which, in accordance with its terms, Future Planet Limited assigned to BPL, a subsidiary company. The agreement in dispute is, effectively, a renegotiated set of terms of the original agreement and it represents the entire agreement between the parties (clause 13).
- The agreement is dated 29 October 2004 and is for a period of 10 years (clause 1). Therefore, the agreement would, in the normal course of events, end on 28 October 2014.
- The agreement relates to Mr Bedlam granting to BPL an exclusive worldwide licence to develop, manufacture, market, distribute and sell the puzzle referred to as “The Bedlam Cube” together with all additional puzzle products conceived by Mr Bedlam prior to and during the term of the agreement (clause 1).
- BPL is responsible for manufacturing decisions and price (clauses 2.1 & 2.3) but it agrees to consult with Mr Bedlam when material strategic decisions are to be made (clause 2.4). With the consent of Mr Bedlam (which shall not reasonably be withheld), BPL may sub-contract, sub-licence or transfer all or part of the agreement to another third party (clause 2.2).
- Mr Bedlam agrees to be available for marketing campaigns etc and fees are payable in respect of this (clauses 5.1 & 5.2). Mr Bedlam will be recognised as the inventor of the product and Mr Bedlam agrees to the use of his name and the use of the word BEDLAM in merchandising etc (clause 6).
- The agreement lists the royalties that are payable by BPL to Mr Bedlam for sales of the puzzle products and sales of associated merchandising (clauses 8.1-8.3). Royalties are to be calculated at the end of each quarter beginning with the quarter ending on 31 December 2004 (clause 8.4) and shall be paid within 30 days of quarter end (clause 8.5). BPL agrees to maintain accurate sales records and to grant reasonable access to Mr Bedlam (or his nominee) for audit purposes (clauses 8.6).
- Mr Bedlam is able to terminate the agreement if aggregate sales have not reached certain pre-determined levels by 30 September 2007 and/or 30 September 2009 (clause 9). Termination is to be notified by 15 October 2007 and 15 October 2009 respectively.

- Mr Bedlam agrees to cooperate with all steps to ensure that BPL is noted as the assignee of any trade mark registered in connection with the product and consents to the registration of trade marks for the purpose of protecting the product. (clause 10).
- I detail the next clause as it is written:

“Post-termination trademarks and goodwill

11.1 Upon termination of the agreement any trademarks containing the word “Bedlam” then registered in the name of BPL shall be assigned to [Mr Bedlam] at his cost (based on the pro rated costs of registration and the unexpired term) and in his sole discretion.

11.2 Within 30 days of termination of this agreement BPL shall cease to use any company, trading, brand or domain name which includes the word “Bedlam”, unless with the prior written consent of [Mr Bedlam] to do otherwise. Should [Mr Bedlam] or a subsequent licensee wish to use any of the trading, brand or domain names developed and used by BPL during the Term, BPL shall procure a transfer of the goodwill at a fair market value, such value, in the absence of agreement between the parties, to be determined by an independent accountant”

- The agreement was signed by Mr Bedlam on 27 October 2004 and by BPL’s Mr Bamping and Mr Truman on 29 October 2004.

9) Mr Bedlam says that following non-payment of royalties he instructed his solicitor to obtain an audit report of BPL. The auditor produced a report from which Mr Bedlam notes that the auditor was denied access to BPL’s premises and was not allowed to carry out the audit. The auditor’s report is provided in Annex B of Mr Bedlam’s statement. It is dated 16 January 2009. It is written by Shaun Walbridge who is a Fellow of the Association of Chartered Certified Accountants. The report is prepared in respect of “the dispute between him [Mr Bedlam] and Bedlam Puzzles Ltd”. He describes himself as an expert witness on behalf of Mr Bedlam. The report does not appear to have been produced specifically for these rectification proceedings but for the dispute more generally.

10) Mr Walbridge states in his report that he was instructed to prepare a report on sales, licence fees and royalties and to attend the premises of BPL on 12 January 2009 to carry out his audit. Mr Walbridge attended the premises in which BPL rent offices along with a colleague, Miss Jacqueline Wilson. He arrived at 9.10 a.m. Upon making himself known to the receptionist and advising that he had an appointment, the receptionist telephoned BPL’s office but there was no reply. Two further calls were placed which were not answered. Upon Mr Walbridge’s request, the receptionist telephoned Mr Bamping on a mobile telephone number, the telephone was then passed to Mr Walbridge. Mr

Walbridge introduced himself and explained the purpose of his visit. Mr Bamping advised that no appointment had been agreed on the advice of his solicitor. Mr Bamping advised that no access to the records would be allowed until he had met with Mr Bedlam and, even then, access may not be allowed. Mr Bamping advised that this had already been communicated to Mr Bedlam's solicitors on Friday afternoon (9 January 2009).

11) Mr Bedlam says that he terminated the agreement in a letter dated 11 February 2009. He notes that at no time has BPL argued that his termination of the agreement was incorrect. The letter of termination is in Mr Bedlam's Annex C. It includes a previous letter to BPL dated 22 January 2009. The letter of 22 January sets out Mr Bedlam's claim that correct royalties had not been paid (this was apparently first communicated to BPL by way of a letter of 21 November (presumably 2008)). An estimated figure based on information published by BPL is made as to the correct level of royalties. The letter notes that BPL has not responded to this claim. It notes that on 6 January (presumably 2009) Mr Bedlam wrote to BPL informing it that a nominee of Mr Bedlam would attend BPL's premises on 12 January 2009 to carry out an audit. The audit report (presumably that of Mr Walbridge) was apparently attached to this letter. Mr Bedlam stated that the refusal to allow the audit is a breach of clause 8.6 of the agreement. Mr Bedlam stated that the breach could be rectified by allowing access to the records within the next 28 days. He asked that BPL responds within 14 days to ascertain whether the breach will be rectified. Mr Bedlam states that absent rectification of the breach then Mr Bedlam will consider this as a repudiatory breach of the agreement. The letter of 11 February 2009 notes that BPL has not indicated that it will rectify the breach. As a result Mr Bedlam considered that BPL was in repudiatory breach of the agreement and thereby terminated it with immediate effect. Mr Bedlam asked that BPL assign the trade mark back to him as per clause 11.1, providing assignment documents to be signed by BPL. The outstanding royalties were, again, claimed and BPL was advised that it could not use BEDLAM in its names etc as of 32 days time.

12) Mr Bedlam says that since these letters were issued his solicitor has been in lengthy correspondence with BPL requesting re-assignment. Various exchanges are provided in Mr Bedlam's Annex D. A letter from BPL's solicitor dated 5 March 2009 is provided. It states that BPL is not willing to assign the trade mark "at this stage" or to pay further royalties. It states that when the agreement was being negotiated, Mr Bedlam indicated that he had intellectual property rights beyond those that actually existed. BPL states in this letter that the claimed royalties are fanciful. BPL states that Mr Bedlam has not agreed to meet to discuss this and that a meeting should now be arranged. In a letter from Mr Bedlam's solicitor dated 10 March 2009, it is highlighted that the agreement contains obligations for "counting" which BPL have not fulfilled and that any intellectual property rights are stipulated in the agreement, so it is something that BPL should take up with the solicitors who advised it at that time. A further letter of 8 April 2009 from Mr

Bedlam's solicitors comments on BPL's failure to respond and that a meeting can be set up but Mr Bedlam will not attend.

13) Mr Bedlam concludes by saying that one of the reasons given by BPL for not assigning the mark was due to the enforcement of a charge by HSBC bank but that a search of BPL at Companies House showed no recorded charges by HSBC.

Mr Bamping's evidence for BPL

14) Mr Bamping is BPL's sole director. He explains that BPL is wholly owned by 23 Acorns Ltd of which he is also a sole director and controlling shareholder. He also identifies Mr Martin Truman as BPL's secretary and also a minority shareholder in 23 Acorns Ltd. Mr Truman is a solicitor in sole practice and he has been advising BPL. Mr Bamping says that Paul Burke was a 10% shareholder in BPL at the time of the agreement but he later transferred his stake to 23 Acorns Limited and resigned as a director in 2006.

15) In response to Mr Bedlam's claim that he was "advised" to assign the trade mark to BPL, Mr Bamping states that this is not true. He explains that Mr Truman has at no time advised Mr Bedlam in a professional sense. He explains that when the agreement was negotiated, Mr Bedlam represented himself and/or was accompanied by a colleague.

16) Mr Bamping says that in 2007 he was contacted by an individual (who is not named) who claimed to have invented or assisted in inventing the Bedlam cube. He cannot say whether this is with or without foundation. He also refers to a company and a further individual who approached BPL due to money owed to them by Mr Bedlam.

17) Mr Bamping says that the agreement to assign the trade mark to BPL was to enable it to have full control of the trade mark for the duration of the agreement. He says that at the time of the agreement there was no immediate intention to apply for international extension. Applications under the Madrid Protocol (for the EC, Australia and the US) came later. The EC and the Australian designations were granted, the US designation was not.

18) Mr Bamping does not dispute that BPL entered into the agreement with Mr Bedlam and that clause 11.1 of the agreement provides for the re-assignment of the trade mark to Mr Bedlam. However, Mr Bamping states that clause 11.1 is subject to certain conditions set out in clause 11.2 which have not been met. Clause 11.2 relates, states Mr Bamping, to full market value and costs – he then lists some of the costs that BPL has expended; investment of time and money in developing and publicising the product, costs associated with the Madrid Protocol extensions, attendance at trade shows, advertising, and an appearance on *Dragons Den*.

19) Mr Bamping states that BPL stopped paying royalties to Mr Bedlam from quarter 3 of 2007. He says that this was because of claimed misrepresentations made by Mr Bedlam to BPL prior to and following the agreement being entered into. The claimed misrepresentation relates to the existence, or otherwise, of design and copyright in the Bedlam Cube. He says that because there was no design or copyright, the product has been imitated in the market and this has led to BPL being less able to generate profit. He says that negotiations with Mr Bedlam regarding this have floundered and the agreement between them is in dispute. In Annex 1 to Mr Bamping's statement he attaches a letter BPL (via legal representatives) sent to Mr Bedlam. It is dated 22 November 2007. In summary, the letter highlights the concern it has with the scope of rights. The conclusion of the letter reads:

“Conclusion

We would welcome your own views on the above and would encourage your own independent assessment of the position, to provide BPL with the tools to defend itself against copies.

As this stage we will note only that the IP assessment outlined above has obvious knock on consequences relating to the value of the commercial agreement between our respective clients, with our client questioning what exactly it is paying a royalty for (effectively a UK trade mark only) and whether this represents fair value.

We look forward to hearing from you further. If our assessment is correct, given the seriousness of the potential impact to both your client and BPL, may I ask that we hear from you if possible within 10 working days please”

Mr Bamping says that Mr Bedlam has chosen to ignore the above claims.

20) Mr Bamping states that the Intellectual Property Office's tribunal is not the correct forum to resolve this dispute. He states that the agreement is either valid, and that the condition relating to re-assignment has not been met or, that the agreement is void from the outset, meaning that the royalties paid so far should be returned.

21) In relation to the refusal of the audit, Mr Bamping says that this was down to BPL being on the brink of receivership and, also, to the dispute that he has referred to. In relation to the former, he later provides in Annex 2 details of a debenture placed on BPL by HSBC bank. He says the bank had threatened to call in BPL's substantial overdraft facility.

22) Mr Bamping notes from the auditor's report that BPL is said to have exclusive IP rights – not just the trade mark. He says that the absence of other IP rights is why the agreement is in dispute. He adds that prior to the agreement,

the Bedlam Cube product had been dormant for a number of years so any goodwill would have been negligible.

23) Mr Bamping says that the agreement has not been terminated validly because clause 11.2 has not been met. He says that the royalty claims by Mr Bedlam are vastly inflated. He says that Mr Bedlam has never offered any consideration for the assignment and he denies that BPL is in repudiatory breach of the agreement. He says, contrary to what Mr Bedlam says, that the HSBC's threat to foreclose was not why the assignment was refused. The assignment was refused because the agreement itself was in dispute as was the manner of termination.

Mr Bedlam's reply evidence

24) Mr Bedlam confirms that he was not professionally advised by Mr Bamping or Mr Truman to assign the mark, but that he was advised by them to do so as part of the agreement and was put under commercial pressure to do so. He says that they pointed out to him that he would get the trade mark back. He says that because he did not have professional representation he did not understand the implications of this.

25) Mr Bedlam says that clause 11.2 does not modify clause 11.1 of the agreement. In relation to clause 11.2 he states that he has no intention of using any of the various trade marks, trade names or trading styles developed by BPL (such as "Crazy Thing") and does not require their transfer.

26) In relation to the claimed misrepresentation, Mr Bedlam highlights that BPL had legal advice at the time of the agreement and that the agreement does not purport to grant any further rights. He says that this cannot be a reason not to pay royalties or to refuse the audit. He says that it was not until a letter from BPL dated 5 March 2009 that BPL set out its reasons for ceasing to pay royalties. The letter is provided (which is in response to Mr Bedlam's request to assign the trade mark to him), it begins with

“..our client is not willing to assign the UK trademark nor the European and Australian Madrid Protocol to your client at this stage.”

27) The letter then refers to the claimed misrepresentation. The letter refers to the money BPL has invested and the lack of return. The letter refers to this issue being highlighted over the last 2 years but that Mr Bedlam has refused to meet to discuss a solution. The response from Mr Bedlam is also attached, which simply highlights the obligations for “counting” and that the licence sets out the scope of the IP rights. Mr Beldam notes that BPL did not protest or dispute the termination of the licence agreement.

28) Mr Bedlam says that being on the brink of receivership does not constitute a legal reason to deny the audit. In any event, he says that Companies House shows no record of any receivership (a Companies House print supports this). He says that the claim of receivership is also inconsistent with BPL's own press release (which is dated 18 December 2006) which refers to the Bedlam Cube being a worldwide phenomenon with annual sales of over £1million.

29) One final piece of evidence was provided by Mr Bedlam shortly before the hearing. It is a witness statement of Stephanie MacPherson of Humphries Kirk (Mr Bedlam's representatives) in which she provides current information from Companies House showing that there is now an active proposal to strike BPL off the companies register.

Decision

The legislation

30) The application for rectification is made under the provisions of section 64(1) of the Act which reads:

“64. - (1) Any person having a sufficient interest may apply for the rectification of an error or omission in the register: Page 13 of 15 Provided that an application for rectification may not be made in respect of a matter affecting the validity of the registration of a trade mark.

(2) An application for rectification 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.

(3) Except where the registrar or the court directs otherwise, the effect of rectification of the register is that the error or omission in question shall be deemed never to have been made.

(4) The registrar may, on request made in the prescribed manner by the proprietor of a registered trade mark, or a licensee, enter any change in his name or address as recorded in the register.

(5) The registrar may remove from the register matter appearing to him to have ceased to have effect.”

Sufficient interest?

31) Mr Bedlam must have a sufficient interest to apply for rectification. A claim to being the true proprietor of the trade mark is one of the clearest forms of interest a party can have. Mr Bedlam has a sufficient interest

The correct tribunal?

32) Section 64(1) relates to errors or omissions in the register. No omission is claimed, the claim instead relates to error i.e. that Mr Bedlam should be recorded as the proprietor and not BPL. BPL argues that Intellectual Property Office's tribunal is not the correct forum to resolve the dispute that exists between the parties. Mr Bedlam argues that rectification can be pursued as it is, effectively, a question of fact as to who the owner of the trade mark is and that the register should be correct in terms of identifying that owner. It is also argued that any other claims between the parties may be dealt with separately and that the rectification would not affect this.

33) Mr Bedlam is clearly correct. If the evidence shows that Mr Bedlam is now the true legal owner of the trade mark in question then it is incumbent upon the registrar, a request having been made to him, to correct the register accordingly. In terms of the scope of the rectification provisions, it is clear that they are not limited to situations of clerical mistake. I have no doubt that they cover situations of disputed ownership including those relating to assignments. The registrar has issued a number of decisions to this effect including that of Dr Trott in case BL O/336/01 *Bendy Toys*¹. I also came to this view in *Turbochip* BL O/062/10 but decided in that case, due to its particular facts, that rectification was not appropriate.

Was Mr Bedlam always the proprietor?

34) Although not strictly pleaded in Mr Bedlam's statement of case, one of the arguments run at the hearing was that Mr Bedlam was, and always has been, the true proprietor of the trade mark. The argument was that this was even so during the time when the agreement was operational between the parties. The argument stems from the fact that the assignment to BPL was one of simple convenience and that it was a limited right (limited to the duration and extent of the agreement). Some reliance was placed on the fact that the agreement is headed "licence agreement" and, therefore, what was being licensed was the trade mark. It was also highlighted that Mr Bedlam had no professional representation at this point and that he may not have realised the difference and significance between a licence and an assignment. It was claimed that BPL was effectively holding the trade mark on trust for Mr Bedlam.

¹ See also the cases under the references: BL O/283/02, BL O/284/02, BL O/040/05

35) I do not consider that Mr Bedlam can claim to have been the owner of the mark when the agreement was operational between the parties. Whilst the agreement may well be headed "licence agreement" it is clear that Mr Bedlam agreed to assign the trade mark to BPL. The consequence of this is clear, even to a layman such as Mr Bedlam. Mr Bedlam gave the legal title to the trade mark to BPL. Whether Mr Bedlam was aware of the significance of this does not affect the position. In any event, Mr Bedlam then went on to sign the form TM16 which is headed "application to record a change of ownership". Mr Bedlam must have been fully aware that he was, as the title of the form suggests, changing the ownership of the trade mark. The agreement, though, makes provision for the return of ownership. This is a different matter. But the fact remains that Mr Bedlam cannot claim to be the owner or proprietor of the mark when the agreement was in force. Even if there is a claim that BPL was holding the trade mark on trust for Mr Bedlam, this does not affect the position. Section 26(1) of the act states that "[n]o notice of any trust (express, implied or constructive) shall be entered in the register..". The significance of this is that even if BPL were holding the trade mark on trust, Mr Bedlam's name would not be entered on the register. So, if the agreement is still in force, the owner of the trade mark, as per the agreement, is BPL. There is no error to correct on the basis of this claim alone.

The agreement's re-assignment provisions

36) The argument that BPL was merely holding the registration on trust for Mr Bedlam was also said to be relevant in relation to ownership in the event of agreement termination. Whilst this argument is noted, it is not considered an appropriate determining factor given that the agreement itself contains specific provisions for ownership of the trade mark in the event of termination. These provisions come into play after the expiry of the 10 year period (the period has yet to expire), after a termination in accordance with the provisions of clause 9 (Mr Bedlam does not claim that this is this case) or if the agreement is terminated by either party due to a breach of contract. In terms of the latter, there is no specific provision in the agreement providing either party with a contractual right to terminate the contract if a breach occurs. In view of this, any termination must constitute a repudiatory breach and so provide a common law remedy for the agreement to be terminated. It is this, as can be seen from the content of Mr Bedlam's letters to BPL dated 22 January 2009 and 11 February 2009, that is relied upon in relation to the termination.

37) If the agreement can be considered as terminated by Mr Bedlam then the re-assignment provisions come into play. The provisions read

"Post-termination trademarks and goodwill

11.1 Upon termination of the agreement any trademarks containing the word "Bedlam" then registered in the name of BPL shall be assigned to

[Mr Bedlam] at his cost (based on the pro rated costs of registration and the unexpired term) and in his sole discretion.

11.2 Within 30 days of termination of this agreement BPL shall cease to use any company, trading, brand or domain name which includes the word "Bedlam", unless with the prior written consent of [Mr Bedlam] to do otherwise. Should [Mr Bedlam] or a subsequent licensee wish to use any of the trading, brand or domain names developed and used by BPL during the Term, BPL shall procure a transfer of the goodwill at a fair market value, such value, in the absence of agreement between the parties, to be determined by an independent accountant"

38) Mr Bedlam's position is that the provisions are explicit in that, in the event of termination, any trade mark (Mr Bedlam is specifically concerned with the UK registration which he assigned to BPL) containing the word BEDLAM shall be assigned to him. BPL, on the other hand, considers that clause 11.1 is tied to clause 11.2 which requires Mr Bedlam or a subsequent licensee of his who wishes to use the trading/brand/domain names developed by BPL to procure their associated goodwill. Mr Bedlam does not believe that the two are tied together and states that he does not, in any event, intend to use any of the trading/brand/domain names that BPL has developed.

39) There is nothing in the language of clause 11.1 to suggest that the assignment which shall take place (emphasis added) is subject to clause 11.2. Indeed, clause 11.2, relating to the procurement of goodwill, only applies should Mr Bedlam or a subsequent licensee of his wish to use the items described in that clause. It is not, therefore, a clause which will necessarily come into play. Whilst I do not consider that clause 11.2 is particularly clear as to what goodwill is to be procured, it is nevertheless clear enough that the procurement is not necessary to facilitate the assignment of the trade mark as per clause 11.1. Clause 11.1 relates to the simple ownership of the trade mark. It is clear from the evidence of both parties that the ownership was only given to BPL whilst the agreement was in force. It is logical that upon termination clause 11.1 operates to transfer the ownership of the trade mark back to Mr Bedlam. It my finding that upon termination of the agreement clause 11.1 should come into immediate effect and the trade mark ought to have been immediately assigned to Mr Bedlam notwithstanding clause 11.2.

Has the agreement been legally terminated?

40) BPL's defence and evidence is based on clause 11.2 not being met. This is why, so far, it has not assigned the trade mark to Mr Bedlam. For the reasons given in the preceding paragraph, this argument is rejected. At the hearing BPL did not, though, necessarily concede that there had been a repudiatory breach. It is, though, BPL's own evidence that it has not paid royalties to Mr Bedlam since quarter 3 of 2007. BPL also admits that it refused to allow an audit of the books

due to the dispute concerning Mr Bedlam's claimed misrepresentation and due to BPL being on the brink of receivership. Following BPL refusing the audit, Mr Beldam wrote to BPL asking for an audit to be allowed, so rectifying the breach of clause 8.6 of the agreement. It is clear that BPL did not do so. In view of this Mr Bedlam informed BPL that he considered this to be a repudiatory breach of the agreement and so terminated the agreement. This course of action was foreshadowed in his previous letter to BPL. BPL did not respond to the effect that there was no repudiatory breach. The responses from BPL concern more the status of the original agreement and, also, the payment it considers that is necessary from Mr Bedlam as per clause 11.2. For example, in the letter from BPL to Mr Bedlam dated 5 March 2009 BPL states that it is not willing to assign the trade mark "at this stage". BPL is clearly trying to achieve what it felt was its right under clause 11.2. Therefore, I agree with Mr Bedlam's position that BPL has not disputed or challenged that Mr Bedlam was able to terminate the agreement as he did. BPL's argument is that the agreement has not been terminated properly by way of clause 11.2, an argument now rejected or that the agreement was void from the outset (which I will come back to). They have not, therefore, disputed the termination itself, only whether the post-termination provisions have been adhered to.

41) In any event, even though BPL considered that it had good reason to do so, it has by its own admission breached the clause relating to the payment of royalties and the clause relating to the access to sales records. Both these actions are serious ones given that the only real benefit Mr Bedlam takes from the agreement relates to the payment of royalties. Such a breach would constitute a repudiatory breach² and would allow Mr Bedlam a common law right to terminate the agreement. Mr Bedlam has exercised this right in writing, warning BPL before doing so. Such termination is, in my view, a legal one. As stated above, BPL has done nothing to suggest that this is not a proper course of action to follow, albeit it wishes clause 11.2 to be acted upon before assigning the trade mark back to Mr Bedlam.

Was the agreement void from the outset?

42) This is BPL's alternative claim. It considers that due to the claimed misrepresentations made by Mr Bedlam, the agreement itself is null and void and that the royalties it has paid to Mr Bedlam can be recovered and, furthermore, that it does not owe Mr Bedlam any royalties. There is simply not enough evidence in the proceedings to come to any view on this matter. However, even if there was there is no need to have analysed this claim in any detail. This is because it is clear that if the agreement was considered as null and void then BPL would never have become the owner of the trade mark. Ownership of the

² See, for example, *Dalkia Utilities Services Plc v Celtech International Limited* [2006] EWHC 63 and the explanation therein from *Chitty on Contracts*.

trade mark would, therefore, be in Mr Bedlam's hands. I do not see how this claim can put BPL in any better position in terms of the proceedings before this tribunal which is concerned solely with the issue of trade mark ownership. BPL can, of course, raise this matter before the court in terms of the monetary issues involved, but that is not a matter for me.

Should rectification of the register follow?

43) A summary of my findings is that:

- i. There is not enough evidence to conclude that there was a misrepresentation by Mr Bedlam which should result in the agreement between the parties being regarded as null and void;
- ii. But, even if the agreement was null and void Mr Bedlam would, in any event, be the owner of the trade mark;
- iii. That the agreement was legally terminated by Mr Bedlam on 11 February 2009;
- iv. That clause 11.1 requiring re-assignment of the trade mark is not dependant on clause 11.2 and, therefore, BPL is contractually obliged to co-operate with the re-assignment to Mr Bedlam;
- v. That BPL, despite numerous requests to do, has not assigned the trade mark to Mr Bedlam.

44) All eventualities end with Mr Bedlam being the owner of the trade mark. However, the contractual obligation of BPL relates to them assigning the trade mark to Mr Bedlam. It is not within the power of this tribunal to order BPL to assign the mark. The tribunal has no powers to direct specific performance of a contractual obligation. That being said, BPL has refused to assign the mark. A transfer of ownership can be transmitted by way of assignment (which must be in writing), testamentary disposition or by operation of law³. Although no separate written form of assignment has been produced between the parties, I consider that the written clause 11.1 of the agreement is sufficient to constitute an assignment. The agreement is in writing and has been signed by both parties. Even if I am wrong on that then the transmission of ownership can, as was submitted at the hearing, be effected by operation of law, namely that in view of BPL's failure to assign the mark then the breach of this contractual obligation means that Mr Bedlam should be placed in the position that he should otherwise have achieved, namely as the owner of the trade mark in question. It is clear that Mr Bedlam is the owner of the trade mark and rectification should follow. I hereby rectify the register by the replacement of the current proprietor Bedlam Puzzles Ltd with the name of Mr Bruce Bedlam. This is to take effect from 11 February

³ See section 24 of the Act.

2009, the day on which Mr Bedlam terminated the agreement, so giving rise to the re-assignment provisions. There is no need to consider the additional part of clause 11.1 relating to the costs of registration of the trade mark because it is Mr Bedlam who registered the trade mark to begin with.

45) I have stressed throughout this decision that the only power of the register in these proceedings relates to the ownership of the trade mark in question. I make no findings or express no views whatsoever in terms of the parties claims regarding claimed misrepresentations, non-payment of royalties, return of royalties etc. Nothing in this decision affects the rights of either party to make subsequent claims at other appropriate fora in relation to these issues if they cannot settle the matter themselves.

Costs

46) Mr Bedlam has been successful and is entitled to a contribution towards his costs. I hereby order Bedlam Puzzles Ltd to pay Mr Bruce Bedlam the sum of £1700. This sum is calculated as follows:

Preparing a statement and considering the other side's statement
£600

Filing evidence and considering the other side's evidence
£600

Attending the hearing
£500

47) The above sum should be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 24 day of February 2011

**Oliver Morris
For the Registrar
The Comptroller-General**

Annex

L. Dec. 2010 16 29

UNIVERS KIRK

No. 3657 8. 9

26 October 2004

BEZLANS PUZZLES LIMITED

and

BRUCE BEZLAN

LICENCE AGREEMENT
relating to the Herkiss Cube and other puzzle products

LICENCE AGREEMENT

DATED 14 October 2004

BETWEEN

(1) **BEGLAM PUZZLES LIMITED** a company registered in England and Wales (CRN 0440608) with registered office at 75 Fore Street, Copstock, Exeter EX3 0JG ("BPL"), and

(2) **BRENDA BEGLAM** of 2 Woodstonecroft Road, Bournemouth, BH15 1JQ ("BB").

BACKGROUND

(A) On 9 April 2003 BB and Future Planet Limited, a company registered in England and Wales (CRN 03931361) with registered office at 31 Hymnanscombe Road, Plymouth, Devon PL4 5HA ("FPL"), entered into a licence agreement relating to the Bedlam Cube and other puzzle products ("Original Licence").

(B) With effect from 1 September 2004 and in accordance with its terms FPL assigned the Original Licence to BPL, its subsidiary company.

(C) BPL and BB wish to renegotiate and replace the terms of the Original Licence by this Agreement.

AGREEMENT

Licence

1. In consideration of the Royalty Fee and Merchandising Fee (clause 8), BB hereby agrees to grant to BPL for a period of ten years from the date of this agreement (subject to the five year break provision in clause 10) (the "Term") an exclusive worldwide licence to develop, manufacture, market, distribute and sell the puzzle referred to as "The Bedlam Cube" together with all additional puzzle products conceived by BB prior to or during the Term (together, the "Products") and any associated Bedlam merchandising including for the avoidance of doubt furniture ("Merchandising").

Manner of exploitation

2.1 BPL shall in its absolute discretion select the method of development, manufacture, marketing, distribution and sale of the Products and Merchandising including the choice of manufacturer, sub-contractor, sales agent, distributor or retailer.

2.2 BPL reserves the right to sub-contract, sub-licence, assign or otherwise transfer the benefit of all or part of this agreement or the licence to third parties on

terms no less onerous than set out in this agreement and with the prior written consent of BB such consent not to be unreasonably withheld. Consent shall be deemed given within 15 days of written notice to BB, unless BB has previously given written notice to BPL of his refusal to give consent.

3. BPL shall in its absolute discretion select the price at which the Products are sold.

4. Notwithstanding the absolute discretion reserved to BPL in clause 2.1 and 3, BPL shall use reasonable efforts to consult with BB or his nominee when material strategic decisions are made.

Payment of services

5.1 BB agrees to make himself available upon reasonable notice to participate in Product marketing campaigns and launches, such participation to amount to no less than 12 days per annum.

5.2 Unless agreed otherwise BB shall receive a £50.00 per diem rate for days committed to in 2004 and a £75.00 per diem rate in 2005 and thereafter, in each case together with reasonable out of pocket expenses, and payable monthly in arrears.

Acknowledgements

6. BPL agrees to recognise BB expressly as the inventor of the Products during the Term and, subject to clause 13, BB hereby expressly consents to the use of his name in the marketing of the Products and Merchandising including use of the word "Bedlam" in any company, trading, brand or domain name.

Intellectual property

7. BB warrants that the Products do not breach third party intellectual property rights and BB agrees to indemnify BPL in full against all third party claims in respect of any proven breach.

Royalty Fee and Merchandising Fee

8.1 BPL agrees to pay to BB (or any nominee upon notice) an inclusive licence payment ("Royalty Fee") as follows:

- (a) in respect of the first 100,000 Product units, £0.50 (fifty pence) per Product Unit sold by BPL to a Trade Customer and £1.00 (one pound) per Product unit sold by BPL to a Retail Customer;
- (b) in respect of aggregate cumulative sales volumes between 100,001 and 200,000, £0.40 (forty pence) per Product unit sold by BPL to a Trade Customer and £1.00 (one pound) per Product unit sold by BPL to a Retail Customer;

- (c) In respect of aggregate cumulative sales volumes in excess of 200,000, £0.30 (thirty pence) per Product unit sold by BPL to a Trade Customer and £1.50 (one pound) per Product unit sold by BPL to a Retail Customer.

8.2 For the purposes of clause 8.1, a "Trade Customer" includes wholesalers and retailers, including without limitation all mail order catalogues and third party e-commerce site operators, and any other purchaser of quantities of Product in excess of 5 units per single order, and a "Retail Customer" means any other purchaser of Products to whom quantities of 5 or less units per single order are sold.

8.3 BPL agrees to pay BB (or any nominee upon notice) a licence fee of 5% of gross sales revenue (net of VAT) ("Merchandising Fee") generated in respect of any "Bedlam" branded Merchandising developed and sold by BPL during the Term.

8.4 The Royalty Fees and Merchandising Fees shall be calculated at quarterly intervals commencing with the quarter ending on 31 December 2004 based on the units of Product and Merchandising sold to and paid for by third parties within the preceding quarter.

8.5 Payments shall become due within 30 days of each quarter end.

8.6 BPL shall maintain accurate sales records and shall grant reasonable access to BB or his nominee for audit purposes.

8.7 The Royalty Fee and the monies due under clause 8.2 shall increase annually commencing with effect 1 January 2006 by the amount which bears the same proportion (if any) by which the Index of Retail Prices published by the Department of Employment or any successor Ministry or Department (the "Index") for the month preceding 31 December 2005 and each subsequent anniversary exceeds the base figure of the Index published on 1 January 2005.

Break

9. If the aggregate sales of Product do not exceed an aggregate of:

- (a) 75,000 Product units by 30 September 2007, or
(b) 300,000 Product units by 30 September 2009.

BB shall have the option to terminate this Agreement by notice given no later than 15 October 2007 (clause 9(a)) or 15 October 2009 (clause 9(b)) such notice to take effect from the third and fifth anniversary of its commencement respectively and time shall be of the essence.

Trademarks

10. BB undertakes to co-operate with all steps required to ensure that BPL is named as the assignee of any trademarks currently registered in connection with the

Product; and BB hereby consents to the registration by BPL in its sole discretion of additional trademarks for the purpose of promoting the Product.

Post-termination trademarks and goodwill

11.1 Upon termination of the agreement any trademarks containing the word "Bedlam" then registered in the name of BPL shall be assigned to BB at his cost (based on the pro-rated costs of registration and the unexpired term) and in his sole discretion.

11.2 Within 90 days of termination of this agreement BPL shall cease to use any company, trading, brand or domain name which includes the word "Bedlam", unless with the prior written consent of BB to do otherwise. Should BB or a subsequent licensee wish to use any of the trading, brand or domain names developed and used by BPL during the Term, BPL shall procure a transfer of the goodwill at a fair market value, such value, in the absence of agreement between the parties, to be determined by an independent accountant.

Notice

12. Any notice required by this agreement shall be given to the most recently provided email address of the party with a copy posted by first class mail to the party's last notified postal address; and such notice shall be deemed received within 48 hours of the time stamp of the email on the computer of the sender.

Other


13. This agreement represents the entire agreement between the parties and replaces the Original License.

14. This agreement shall be governed by the laws of England and Wales.

Executed as a deed
by Mediam Fuzzles Limited)

Director

Director/Secretary

 27/10/04

Signed as a deed
by Bruce Bedlam

} Bruce Bedlam

27-10-04

Witness name, address
and occupation:

Nick Barry
3. Gerth Close
Hendon.
London. SW14 4WD.

Musician. 27.10.04.

N.B. [Signature]