

O/459/11

TRADE MARKS ACT 1994

**IN THE MATTER OF REGISTRATION No. 2440539
STANDING IN THE NAME OF
KORVAL, INC.**

AND

**IN THE MATTER OF A REQUEST FOR A DECLARATION
OF INVALIDITY THERETO UNDER No. 83749
BY SOUNDUNIT LIMITED**

BACKGROUND

1) Following an assignment dated 28 January 2011 ownership of UK trade mark 2440539 passed from Guitar Center, Inc. to Korval, Inc.(hereinafter the registered proprietor). Details of the registered trade mark are as follows:

Mark	Number	Date Applied for / date registered	Class	Specification
SIMMONS	2440539	04/12/06 / 07.12.2007	15	Interfaces for drum triggers, drum sound and midi expanders and drum triggers all being parts and fittings for electronic drum kits; drum paths, accessory cables, drum pads; digital drums, electronic drum kits incorporating speakers and amplifiers; replacement parts to all of the above; electronic drum kits.

2) By an application dated 14 April 2010, subsequently amended, Soundunit Limited (hereinafter the applicant) applied for a declaration of invalidity in respect of this registration. The grounds are, in summary:

The applicant and its predecessors have been using the name SIMMONS over many years in respect of electronic drum kits. As such it has built up a goodwill and reputation in respect of the mark in the UK and worldwide. The registered proprietor is aware of the goodwill as it used to be one of the retail stores in the USA which sold goods under the mark SIMMONS on behalf of the applicant and its predecessors in title Simmons Electronics Ltd and Simmons Digital Ltd from about 1980 to 1994. Its predecessor in business, Simmons Electronics Ltd filed a trade mark application for the mark SIMMONS in the USA on 25 September 1986 which was registered on 15 December 1987 (1468978). The applicant and its predecessors began using the mark in 1979 and continued until 1997. Although production has ceased sales of second hand kits still continue and accessories and parts are still manufactured, as such the goodwill has continued. At no time was the registered proprietor granted any right in the mark, nor did it acquire any rights in the mark. The application was filed in bad faith as the registered proprietor was aware of the goodwill in the instant mark with regard to drum kits. The mark of the registered proprietor has been registered in breach of Sections 3(6) and 5(4)(a).

3) The registered proprietor filed a counterstatement denying the above grounds. The registered proprietor puts the applicant to proof regarding its claim to be the successor in title to the earlier rights. It denies that the applicant has any goodwill in the mark in suit. It denies that the mark in suit had any reputation anywhere prior to its own use.

4) Both sides filed evidence. Both ask for an award of costs. The matter came to be heard on 21 November 2011 when the registered proprietor was represented by Mr Ludbrook of Counsel instructed by Messrs A.A. Thornton & Co. and the applicant by Ms Michaels of Counsel instructed by Messrs Loven Patents and Trademarks Limited.

APPLICANT'S EVIDENCE

5) The applicant filed a witness statement, dated 18 October 2010, by David Simmons, the Managing Director of the applicant company. He states that the mark SIMMONS was first used on an electronic drum kit in 1978, however it appears that this company Musicaid EP closed in 1979. Mr Simmons states that he began a new company, Simmons Electronics Ltd in 1980 making electronic drum kits. The radical design attracted orders from around the world, and a number of top bands such as Culture Club, ABC and Spandau Ballet all used SIMMONS electronic drums.

6) Mr Simmons states that sales were made worldwide, including the USA where the registered proprietor was supplied with SIMMONS drum kits which they continued to sell during the 1980s and 1990s. He states that Simmons Electronics Limited (SEL) registered the mark SIMMONS in the USA (a copy of the certificate of registration is provided at exhibit DS15). Also at exhibit DS15 are two US registrations (1533994 & 1534208) in relation to hexagonal shapes for use on drums. He also points out that his trade mark agents, at that time, were the company now representing the registered proprietor. With regard to the use by SEL, Mr Simmons provides exhibits which show that this company enjoyed considerable reputation for its electronic hexagonal shaped drums. It is clear that this extended to the USA where in 1984 the applicant's then USA distributor sold drums to the registered proprietor who stocked the applicant's drums. In 1984 SEL's sales in the USA were over US\$10 million out of a market in the USA worth US\$80 million. Total exports from the UK were over £6 million in 1984.

7) Mr Simmons states that in 1986 SEL had financial problems and the company was sold to Carlton Communications, now Carlton Television. He provides, at exhibit DS 24 two newspaper articles both from the Financial Times which refer to this sale. Only one of the newspapers has a readable date which is 29 September 1987. Mr Simmons states that on 6 April 1988 he set up a company called Talehurst Electronics Limited, which changed its name to Simmons Digital Music Ltd on 27 June 1988. He states that this company purchased the assets stock and intellectual property from Carlton Communications.

8) Pages 88 and 89 of exhibit DS25 refer to a mortgage or charge between Talehurst Electronics Limited and Simmons Electronics Limited. The particulars of the charge are set out on page 89 which states:

“All the rights or interests in the land or buildings belonging to the company and any future interests and rights in a freehold or leasehold property including all fixtures and fittings, fixed plant and machinery or other plant and machinery and fittings, intellectual property rights, goodwill, uncalled capital, all present and future book and other debts due owing or incurred to the company and all undertaking and other property and assets of the company.”

9) This charge is dated 15 June 1988, and refers to £1 million convertible loan stock of the company. Effectively Talehurst Electronics Limited created a charge on itself in order to secure all monies due or to become due to Simmons Electronics Limited.

10) Mr Simmons states that on 8 May 1989 Simmons Digital Music Limited was wound up. He points out that the liquidators' statement, provided at exhibit DS25 page 25, shows the intellectual property and goodwill as being valued at £1 each. He then refers to pages 85-96 of DS25 and states that these show the sale of intellectual property from Simmons Digital Music Limited to Soundunit Limited which was formed in November 1988. Page 85 is headed "Liquidator's statement of account: Creditor's voluntary winding up." This shows a payment of £1,000 regarding "debenture realisation".

11) Pages 91, 92 and 93 refer to a charge on Simmons Digital Music Limited (SDML) for the benefit of Carlton Communications PLC, who stood guarantor regarding a mortgage on SDML's new premises. The property charged is the premises and all fixtures, fittings, plant and machinery therein. This is dated 19 April 1989.

12) At exhibit DS26, Mr Simmons provides a copy of a liquidators report dated 21 June 1990, which refers to the liquidation of SDML. In his report the liquidator states that the only purchaser for the business is Soundunit Ltd run by Mr Simmons. He confirms that Carlton Communications Plc have a charge over SDML in relation to the intellectual property and therefore are due the £1,000 realised by the sale of the intellectual property. He states that the sale of SDML to Soundunit Ltd was completed on 11 September 1989. At exhibit DS27 he provides a copy of the sale agreement. This shows the assets of SDML split into four sections. One is said to relate to "copyrights, rights in the nature of copyrights, patents, inventions, trade marks, registered designs and trade names (whether or not the same are registered) (together "the intellectual property rights") used by the vendor in connection with the business together with (insofar as the vendor can assign the same) all rights of action in respect of infringement of any of the intellectual property rights." These are valued at £1,000. In a letter dated 28 September 1989 the liquidator sent the original certificates of registration in relation to two US trade marks 1534208 & 1533994). The letter stated that these should be held by Soundunit Ltd in accordance with the sale agreement with the liquidator of SDML.

13) Mr Simmons provides the following sales figures which relate to "the sale of Simmons drum kits and accessories":

Year	Sales £
1/4/89 - 30/9/90	457,698
1/10/90 - 30/9/91	223,984
1/10/91 - 30/9/92	186,191
1/10/92 - 30/9/93	173,178
1/10/93 - 30/9/94	161,737
1/10/94 - 30/9/95	67,741
1/10/95 - 30/9/96	39,979
1/10/96 - 30/9/97	43,448

14) Mr Simmons points out that the registered proprietor is using not only his company's trade mark but also similar model designations such as "SD9K Electronic drum" (his company used SDS3 etc), and has also copied the hexagonal shape, although this is not a registered design. All of which he contends is calculated to give the impression that the supplier is the original company and to take advantage of the reputation and goodwill of his company. He also includes, at exhibit DS36, a number of witness statements from well known percussionists, retailers and enthusiasts who all state that the name

SIMMONS is well known in the music world and is linked to its inventor Mr David Simmons. They also confirm that there is a thriving market in second hand Simmons drum kits, something which is corroborated by exhibits provided relating to eBay sales and internet sites. The most relevant of these is that of Mr Alexander Bhinder a Director of Plasma Music Limited, dated 20 October 2010, who states that he services and provides support for owners of Simmons drums and that the main parts supplier is Soundunit Ltd which holds a stock of parts for Simmons drums.

REGISTERED PROPRIETORS' EVIDENCE

15) The registered proprietor filed two witness statements. The first, dated 28 April 2011, is by David Angress an employee of the registered proprietor. He states that his company has manufactured and sold electronic drum kits under the name SIMMONS since September 2006. He states that prior to this date it was common knowledge in the musical instrument industry that David Simmons and/or his company Simmons Electronics Ltd had ceased manufacturing and selling a line of electronic drum kits under the Simmons mark for a period of approximately ten years. He states that this information was also available online and he provides a page from Wikipedia which states that "Simmons went out of business in 1993". Mr Angress also states that the US registration number 1468978 for the trade mark SIMMONS had been cancelled by the USPTO on 20 June 1994. He then states:

"4. Given the length of time that had passed since Mr Simmons or his company had used the Simmons mark in the manufacture and sale of electronic drum kits, or for any other goods, and given the length of time since the registration had been cancelled by the USPTO, we believed that neither Mr Simmons nor his company maintained any further ownership of the SIMMONS mark and we decided to use the mark for our line of electronic drum kits."

16) The second witness statement, dated 13 April 2011, is by Vanessa Ann Broughton Lawrence the registered proprietor's Trade Mark Attorney. She states that at the time that they agreed to act for the registered proprietor no-one at her company was aware that they had, in the past, acted for the applicant. She provides print-outs, at exhibit VABL1, from the USPTO which shows that trade mark 1534208 (a hexagonal design) and 1533994 (a hexagonal design) were cancelled by the USPTO on 20 June 1994 and 16 October 1995 respectively.

APPLICANT'S EVIDENCE IN REPLY

17) The applicant filed a second witness statement by Mr Simmons, dated 1 July 2011. He states that he never abandoned the mark SIMMONS, and that he was still offering a repair and servicing service to those who had previously purchased SIMMONS drum kits. He points out that the internet sites referred to by the registered proprietor are not reliable and are unverifiable. He also states that the brand still had followers writing on the internet, which is presumably why it was chosen by the registered proprietor.

18) That concludes my review of the evidence filed in these proceedings insofar as I consider it necessary.

DECISION

19) Section 47 of the Trade Marks Act 1994 reads:

“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.”

20) I first consider the ground of invalidity under Section 5(4)(a) which reads:

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

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

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

21) In deciding whether the mark in question offends against this section, I intend to adopt the guidance given by the Appointed Person, Mr Geoffrey Hobbs QC, in the *WILD CHILD* case [1998] RPC 455. In that decision Mr Hobbs stated that:

“The question raised by the grounds of opposition is whether normal and fair use of the designation *WILD CHILD* for the purposes of distinguishing the goods of interest to the applicant from those of other undertakings (see section 1(1) of the Act) was liable to be prevented at the date of the application for registration (see Article 4(4)(b) of the Directive and section 40 of the Act) by enforcement of rights which the opponent could then have asserted against the applicant in accordance with the law of passing off.

A helpful summary of the elements of an action for passing off can be found in *Halsbury’s Laws of England* (4th Edition) Vol. 48 (1995 reissue) at paragraph 165. The guidance given with reference to the speeches in the House of Lords in

Reckitt & Colman Products Ltd v. Borden Inc. [1990] R.P.C. 341 and *Erven Warnink BV v. J. Townsend & Sons (Hull) Ltd* [1979] AC 731 is (with footnotes omitted) as follows:

‘The necessary elements of the action for passing off have been restated by the House of Lords as being three in number:

- (1) that the plaintiff’s goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature;
- (2) that there is a misrepresentation by the defendant (whether or not intentional) leading or likely to lead the public to believe that the goods or services offered by the defendant are goods or services of the plaintiff; and
- (3) that the plaintiff has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant’s misrepresentation.

The restatement of the elements of passing off in the form of this classical trinity has been preferred as providing greater assistance in analysis and decision than the formulation of the elements of the action previously expressed by the House. This latest statement, like the House’s previous statement, should not, however, be treated as akin to a statutory definition or as if the words used by the House constitute an exhaustive, literal definition of passing off, and in particular should not be used to exclude from the ambit of the tort recognised forms of the action for passing off which were not under consideration on the facts before the House.’

Further guidance is given in paragraphs 184 to 188 of the same volume with regard to establishing the likelihood of deception or confusion. In paragraph 184 it is noted (with footnotes omitted) that:

‘To establish a likelihood of deception or confusion in an action for passing off where there has been no direct misrepresentation generally requires the presence of two factual elements:

- (1) that a name, mark or other distinctive feature used by the plaintiff has acquired a reputation among a relevant class of persons; and
- (2) that members of that class will mistakenly infer from the defendant’s use of a name, mark or other feature which is the same or sufficiently similar that the defendant’s goods or business are from the same source or are connected.

While it is helpful to think of these two factual elements as successive hurdles which the plaintiff must surmount, consideration of these two aspects cannot be completely separated from each other, as whether deception or confusion is likely is ultimately a single question of fact.

In arriving at the conclusion of fact as to whether deception or confusion is likely, the court will have regard to:

- (a) the nature and extent of the reputation relied upon;

(b) the closeness or otherwise of the respective fields of activity in which the plaintiff and the defendant carry on business;

(c) the similarity of the mark, name etc. used by the defendant to that of the plaintiff;

(d) the manner in which the defendant makes use of the name, mark etc. complained of and collateral factors; and

(e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.

In assessing whether confusion or deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action.”

22) I also note the comments of Pumfrey J in *South Cone Incorporated v JackBessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* case, in which he said:

“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 Section 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 at the relevant date. Once raised the applicant must rebut the prima facie case. Obviously he does not need to show that passing off will not occur, but he must produce sufficient cogent evidence to satisfy the hearing officer that it is not shown on the balance of possibilities that passing off will occur.”

23) I must also keep in mind the comments of Mr Justice Floyd in *Minimax GMBH & Co KG and Chubb Fire Limited* [2008] EWHC 1960 (Pat) in which he says of the above:

“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.”

24) First I must determine the date at which the applicant's claim is to be assessed; this is known as the material date. In this regard, I note the judgment of 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 said:

“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.”

25) In his evidence the registered proprietor claims to have first used his mark in September 2006. This use must be taken into account as it could, for example, establish that the registered proprietor is the senior user, or that there had been common law acquiescence, or that the status quo should not be disturbed; any of which could mean that the registered proprietor's use would not be liable to be prevented by the law of passing-off – the comments in *Croom's Trade Mark Application* [2005] RPC 2 and *Daimlerchrysler AG v Javid Alavi (T/A Merc)* [2001] RPC 42 refer.

26) The applicant contends that it is the successor in trade to the original company Simmons Electronics Limited (SEL) which was incorporated in 1980 and traded extensively with worldwide sales worth many millions of pounds. This company was sold to Carlton Communications (CC) in 1986. On 6 April 1988 Talehurst Electronics Ltd (later renamed Simmons Digital Music Limited [SDML]) was incorporated and it is contended purchased the stock and intellectual property of SEL from CC. On 8 May 1989 SDML went into liquidation and the intellectual property rights were sold to Soundunit Limited on 11 September 1989. Following this sale the liquidator made a payment to CC releasing the charge that CC had over the intellectual property rights of SDML.

27) Whilst the paper trail provided in the evidence of the applicant is not as straightforward or extensive as it might have been this claim to be the successor in business was not challenged by the registered proprietor in their evidence.

28) Following the acquisition of the intellectual property rights in 1989, Soundunit Ltd sold drum kits and accessories under the Simmons trade mark until September 1997 when it ceased manufacturing drums. This trade was worth over £1.3million over the eight years although it had dwindled to under £50,000 per annum in the last two years. However, it continued to offer a service facility and parts for the drum kits and does so to this day. Again this evidence was not challenged by the registered proprietor in its evidence.

29) I take into account the comments of Mr Arnold Q.C (as he was) when acting as the Appointed Person in *Extreme O/161/07* where he commented on the issue of unchallenged evidence and cross examination:

“Unchallenged evidence

33. *Phipson on Evidence* (16th ed) states at paragraph 12-12:

In general a party is required to challenge in cross-examination the evidence of any witness of the opposing party if he wishes to submit to the court that the evidence should not be accepted on that point. The rule applies in civil cases as it does in criminal. In general the CPR does not alter that position.

This rules [sic] serves the important function of giving the witness the opportunity of explaining any contradiction or alleged problem with his evidence. If a party has decided not to cross-examine on a particular important point, he will be in difficult in submitting that the evidence should be rejected.

However the rule is not an inflexible one...

34. The authority cited in support of this statement of the law is the decision of the House of Lords in *Browne v Dunn* (1894) 6 R 67. The relevant passages from the speeches are set out in the judgment of Hunt J in *Allied Pastoral Holdings v Federal Commissioner of Taxation* (1983) 44 ALR 607, the material parts of which are quoted in the judgment of the Court of Appeal in *Markem Corp v Zipher Ltd* [205] EWCA Civ 267, [2005] RPC 31 at [59]-[60].

35. In my judgment the learned editors of *Phipson* are correct to say that the rule is not an inflexible one. There are at least two well-established exceptions to it. The first is that, as the speech of Lord Herschell LC in *Browne v Dunn* makes clear, it may not be necessary to cross-examine on a point if the witness has been given full notice of it before making his statement. As I pointed out in *BRUTT Trade Marks* [2007] RPC 19 at [23], this may be significant in registry proceedings where evidence is given sequentially. The second is that a court is not obliged to accept a witness's evidence in the absence of cross-examination if it is obviously incredible: see *National Westminster Bank plc v Daniel* [1993] 1 WLR 1453.

36. Where, however, evidence is given in a witness statement filed on behalf of a party to registry proceedings which is not obviously incredible and the opposing party has neither given the witness advance notice that his evidence is to be challenged nor challenged his evidence in cross-examination nor adduced evidence to contradict the witness's evidence despite having had the opportunity to do so, then I consider that the rule in *Brown v Dunn* applies and it is not open to the opposing party to invite the tribunal to disbelieve the witness's evidence.

37. Despite this, it is not an uncommon experience to find parties in registry hearings making submissions about such unchallenged evidence which amount to cross-examination of the witness in his absence and an invitation to the hearing officer to disbelieve or discount his evidence. There have been a number of cases in

which appeals have been allowed against the decisions of hearing officers who have accepted such submissions. Two recent examples where this appears to have happened which were cited by counsel for the proprietor are *Score Draw Ltd v Finch* [2007] EWHC 462 (Ch), [2007] *BusLR* 864 and *EINSTEIN Trade Mark* (O/068/07). Another recent example is *Scholl Ltd's Application* (O/199/06). I consider that hearing officers should guard themselves against being beguiled by such submissions (which is not, of course, to say that they should assess evidence uncritically).”

30) This does not mean that the applicant is absolved from the onus of having to make their case, but it does mean that if their evidence provides a cogent narrative, which is at least in part corroborated, then I should be reluctant to find that they have not proved their case. Mr Ludbrook contended that the evidence was challenged in the registered proprietor's counterstatement. This is nonsense as the counterstatement was filed prior to the witness statements of the applicant. In the instant case even if I were to find that the applicant had not established that it owned the goodwill of the earlier companies I would still have to consider the trading that it undertook between 1989 and September 1997 during which it stated that it was selling drum kits and accessories. Subsequent to September 1997 it has been servicing the kits and providing parts. This is backed up by the witness statement of Mr Bhinder, which despite being filed as an exhibit must carry a degree of weight as he is independent of the applicant. Whilst no trading figures for the last thirteen years have been provided it does support the contention that the mark has not been abandoned or ceased to be used, but would have supported the goodwill already accrued during the period 1989-1997.

31) In considering the issue of goodwill I refer to two cases, *Ad-Lib Club Limited v Granville* [1971] FSR 1 and *Sutherland v. V2 Music Ltd* [2002] EMLR 28. In the latter case, Laddie J. held:

“H6. 1. If a party abandoned a business and the goodwill associated with it, he could not subsequently bring proceedings for passing off to protect that goodwill. He had relinquished any interest in the goodwill, and it was likely that he would be unable to show any damage because there was nothing left to damage. The temporary cessation of a business, however, did not necessarily destroy the goodwill in that business, although over time the goodwill would shrink and eventually disappear. As long as the owner of the goodwill had not abandoned it, it remained an asset protectable from damage by passing-off proceedings. Destroying the goodwill so that it was no longer an attractive force which would help the owner's business was but one form of damage of which the court could take notice.
Star Industrial Co. Ltd v. Yap Kwee Kor [1976] F.S.R. 256 applied. *Ad-Lib Ltd v. Granville* [1972] R.P.C. 673 and *Thermawear Ltd v. Vedonis* [1982] R.P.C. 44 followed .

H7. 2. The law of passing off protected the goodwill of a small business as much as the large, but the court would not intervene to protect a goodwill which any reasonable person would consider as trivial.

H8. 3. It was likely that during the period 1993 to 1995 Liberty 1 was known to some tens of thousands of members of the public and admired by a significant number of them. Although memories of Liberty 1 must have faded for very many of them by

2001, the impact which Liberty 1 had made on the public had not disappeared. Although the case was very close to the borderline, Liberty 1 had retained a residual reputation among members of the public. In addition, Liberty 1 had a continuing, if small, reputation in the music industry.”

32) In *The Law of Passing-Off* (third edition) Christopher Wadlow at 3-178 states:

“The better view is that if a business is deliberately abandoned in circumstances which are inconsistent with its ever being recommenced then the goodwill in it is destroyed unless contemporaneously assigned to a new owner. Otherwise, the goodwill in a discontinued business may continue to exist and be capable of being protected, provided the claimant intended and still intends that his former business should resume active trading. It is not necessary that the prospect should be imminent, but the mere possibility of resumption if circumstances should ever change in the claimant’s favour is not enough. The claimant’s intention to resume business may the more readily be believed where the original cessation was forced on him by external circumstances, but this factor is not conclusive either way.”

33) The registered proprietor contends that the applicant had abandoned the business of manufacturing drums. It would appear that the registered proprietor came to this view because the US Trade Mark registrations were allowed to lapse, and no new drums were being sold. To my mind, the registered proprietor was incorrect in coming to this view and noticeably did not seek to contact the applicant to ascertain if the mark had been abandoned. The years of use between 1989 and 1997 alone would still have provided the applicant with goodwill in drum kits and accessories which would have remained as at September 2006 as a residual goodwill, especially given the continuing service of maintaining existing drum kits and providing parts to others, which is carried out to this day. If I were to accept that the applicant owned the goodwill accrued by its predecessors in business, which I do, then this view would simply be strengthened.

34) Having ascertained that at the relevant date the applicant had goodwill I must go on to consider misrepresentation. Given that the registered mark is identical to that used by the applicant and the goods are identical or very similar there would be misrepresentation.

35) I must now go on to consider if the applicant has suffered, or is likely to suffer, damage as a result of this misrepresentation. Lord Fraser in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1980] RPC 31 HL, stated that the opponent must show that “he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill”. It is obvious that in the instant case the applicant would suffer damage as a result of use of the identical trade mark on identical goods. The invalidity action under Section 5(4)(a) succeeds.

36) I now turn to consider Section 3(6) which reads:

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

37) Section 3(6) has its origins in Article 3(2)(d) of the Directive, the Act which implements Council Directive No. 89/104/EEC of 21 December 1988 which states:

“Any Member State may provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where and to the extent that....

(c) the application for registration of the trade mark was made in bad faith by the applicant.”

38) I was referred to case O/094/11 *Ian Adam* where Mr Hobbs QC acting as the Appointed Person said:

“32. Any attempt to establish bad faith must allow for the fact that there is nothing intrinsically wrong in a person exercising *‘the right to apply the rules of substantive and procedural law in the way that is most to his advantage without laying himself open to an accusation of abuse of rights’* as noted in paragraph [121] of the Opinion delivered by Advocate General Trstenjak in Case C-482/09 Budejovicky Budvar NP v. Anheuser-Busch Inc on 3 February 2011. In paragraph [189] of his judgment at first instance in Hotel Cipriani SRL v. Cipriani (Grosvenor Street) Ltd [2009] EWHC 3032 (Ch); [2009] RPC 9 Arnold J. likewise emphasised:

“... 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 Art. 107 can hardly be said to be abusing the Community trade mark system.”

These observations were not called into question in the judgment of the Court of Appeal in that case: [2010] EWCA Civ 110; [2010] RPC 16. They were re-affirmed by Arnold J. in *Och-Ziff Management Europe Ltd v. Och Capital LLP* [2011] ETMR 1 at paragraph [37].

33. The line which separates legitimate self-interest from bad faith can only be crossed if the applicant has sought to acquire rights of control over the use of the sign graphically represented in his application for registration in an improper manner or for an improper purpose. The appropriate remedy will in that case be rejection of the offending application for registration to the extent necessary to render it ineffective for the purpose which made it objectionable in the first place.

34. In a case where the relevant application fulfils the requirements for obtaining a filing date, the key questions are: (1) what, in concrete terms, is the objective that the applicant has been accused of pursuing? (2) is that an objective for the purposes of which the application could not properly be filed? (3) is it established that the application was filed in pursuit of that objective? The first question serves to ensure procedural fairness and clarity of analysis. The second question requires the decision taker to apply a moral standard which, in the absence of any direct ruling on the point from the Court of Justice, is taken to condemn not only dishonesty but also *'some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined'*: Gromax Plastics Ltd v. Don & Low Nonwovens Ltd [1999] RPC 367 at 379 (Lindsay J). The third question requires the decision taker to give effect to the principle that innocence must be presumed in the absence of evidence sufficient to show that the applicant has acted improperly as alleged.

35. In assessing the evidence, the decision taker is entitled to draw inferences from proven facts provided that he or she does so rationally and without allowing the assessment to degenerate into an exercise in speculation. The Court of Justice has confirmed that there must be an overall assessment which takes into account all factors relevant to the particular case: Case C-529/07 Chocoladefabriken Lindt & Sprüngli AG v. Franz Hauswirth GmbH [2009] ECR I-4893 at paragraph [37]; Case C-569/08 Internetportal und Marketing GmbH v. Richard Schlicht [2010] ECR I-00000 at paragraph [42]. As part of that assessment it is necessary as part of that approach to consider the intention of the applicant at the time when the application was filed, with intention being regarded as a subjective factor to be determined by reference to the objective circumstances of the particular case: Chocoladefabriken Lindt & Sprüngli GmbH (above) at paragraphs [41], [42]; Internetportal und Marketing GmbH (above) at paragraph [45]. This accords with the well-established principle that 'national courts may, case by case, take account -on the basis of objective evidence -of abuse or fraudulent conduct on the part of the persons concerned in order, where appropriate, to deny them the benefit of the provisions of Community law on which they seek to rely': Case C16/05 The Queen (on the applications of Veli Tum and Mehmet Dari) v. Secretary of State for the Home Department [2007] ECR I-7415 at paragraph [64].

36. The concept of assessing subjective intention objectively has recently been examined by the Court of Appeal in the context of civil proceedings where the defendant was alleged to have acted dishonestly: Starglade Properties Ltd v. Roland Nash [2010] EWCA Civ 1314 (19 November 2010). The Court considered the law as stated in Royal Brunei Airlines v. Tan [1995] 2 AC 378 (PC), Twinsectra Ltd v Yardley [2002] 2 AC 164 (HL), Barlow Clowes International Ltd v. Eurotrust International Ltd [2006] 1 WLR 1476 (PC) and Abu Rahman v. Abacha [2007] 1 LL Rep 115 (CA). These cases were taken to have decided that there is a single standard of honesty, objectively determined by the court and applied to the specific conduct of a specific individual possessing the knowledge and qualities that he or she actually possessed: see paragraphs [25], [28], [29] and [32]. This appears to me to accord with treating intention as a subjective factor to be determined by reference to the objective circumstances of the particular case, as envisaged by the judgments of the Court of Justice relating to the assessment of objections to registration on the ground of bad faith."

39) In asserting that the marks were registered in bad faith, the onus rests with the applicant for invalidity to make a prima facie case. A claim that a mark was registered in bad faith implies some action by the registered proprietor which a reasonable person would consider to unacceptable behaviour or, as put by Lindsay in the *Gromax* trade mark case [1999] RPC 10:

“includes some dealings which fall short of the standards of acceptable commercial behaviour”.

40) The issue must be determined on the balance of probabilities. On the basis of these authorities it is clear that a finding of bad faith may be made in circumstances which do not involve actual dishonesty. Furthermore, it is not necessary for me to reach a view on the registered proprietor’s state of mind regarding the application for registration if I am satisfied that its actions in applying for the mark in the light of all the surrounding circumstances would have been considered contrary to normally accepted standards of honest conduct.

41) In the instant case the registered proprietor was well aware of the activities of the various companies up until 1997, not least because they actively traded with a number of them. The only reason for the registered proprietor registering the mark in suit was to benefit from the reputation that the mark enjoyed. The registered proprietor states that it believed that the mark had been abandoned. However, this belief seems to have been predicated upon the relinquishing of two US Trade Mark registrations and the absence of new drums being offered in the market under the mark in suit. They have not stated that they did any investigative work to ascertain whether the mark was still being used. Nor did they seek out Mr Simmons, whose name they were registering and who had been the controlling mind in all the companies that had used the mark, except one, since its inception. I find that the mark was applied for in bad faith, and so the invalidity action under Section 3(6) also succeeds.

COSTS

42) The applicant has been successful and is therefore entitled to a contribution towards its costs.

Preparing a statement and considering the other side’s statement	£400
Expenses	£200
Preparing evidence and considering and commenting on the other side’s evidence	£1200
Preparing for and attending a hearing	£1200
TOTAL	£3000

40) I order the registered proprietor to pay the applicant the sum of £3000. This sum to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 16th day of December 2011

**G W Salthouse
For the Registrar
the Comptroller-General**