

O/269/13

TRADE MARKS ACT 1994

**IN THE MATTER OF TRADE MARK REGISTRATION 2548550
IN THE NAME OF BROSELEY FIRES LTD
OF THE FOLLOWING TRADE MARK IN CLASS 11:**



AND

**AN APPLICATION FOR INVALIDITY THEREOF (UNDER NO 84296)
BY ARADA LIMITED**

The background and the pleadings

- 1) The above trade mark was filed on 21 May 2010 by Broseley Fires Ltd (“Broseley”) and it completed its registration procedure on 11 February 2011. The mark is registered in respect of wood burning room heaters and boiler stoves.
- 2) Arada Limited (“Arada”) is the applicant for invalidation. A single ground under section 5(4)(a) of the Trade Marks Act 1994 (“the Act”) is relied upon. Arada claims that it has used the sign EVOLUTION since August 1992 in the UK in connection with “stoves and accessories and spare parts thereof” such that the use of Broseley’s mark is liable to be prevented under the law of passing-off. Arada states that whilst it ceased selling complete EVOLUTION stoves in March 2003, it has continued to sell spare parts since then.
- 3) Broseley denies the claim. It puts Arada to proof of its goodwill. Both sides filed evidence. A hearing then took place before me on 29 April 2013 at which Arada was represented by Dan McCourt Fritz, of Counsel, instructed by Abel & Imray; Broseley was represented by Alex Shiel of Ward Hadaway. Two witnesses, Mr Burgis and Mr Cooper, were cross-examined.

Legislation and the leading case-law

- 4) In the context of invalidation proceedings, section 5(4)(a) constitutes a ground for invalidity in circumstances where the use of the mark in question 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.”

- 5) The elements of passing-off (often referred to as the classic trinity) can be summarised as: 1) goodwill, 2) misrepresentation and 3) damage. In *Reckitt & Colman Products Ltd v Borden Inc* [1990] R.P.C.341, Lord Oliver summarised the position thus:

“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."

6) The concept of goodwill was explained in *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217 at 223 as:

"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."

7) To qualify for protection under the law of passing-off, any goodwill must be of more than a trivial nature¹. However, being a small player does not prevent the law of passing-off from being relied upon². Arada no longer sells stoves under the EVOLUTION sign. It is claimed, however, that through the sales of spare parts for EVOLUTION stoves, the sign has been kept in the public mind and that a residual goodwill exists. The judgment of Pennycuik VC in *Ad-Lib Club Limited v Granville* [1971] FSR1 provides guidance in relation to residual goodwill:

"In support of that statement there is cited the case of *Norman Kark Publications Ltd. v. Odhams Press Ltd.*, [1962] 1 All E.R. 636; [1962] R.P.C. 163 in which the first paragraph of the headnote reads:

"In an action to restrain the use of a magazine or newspaper title on the ground of passing off the plaintiff must establish that, at the date of the user by the defendant of which the plaintiff complains, he has a proprietary right in the goodwill of the name, viz., that the name remains distinctive of some product of his, so that the use of the name by the defendant is calculated to deceive; but a mere intention on the part of the plaintiff not to abandon a name is not enough".

Wilberforce, J. went at length into the principles underlying proprietary right in goodwill and annexation of a name to goodwill and the laws of the right to protection of a name and on the facts of that particular case he held that the plaintiff company had lost its right in respect of the name TODAY as part of the title of a magazine. It seems to me clear on principle

¹ *Hart v Relentless Records* [2002] EWHC 1984

² See, for instance, *Stannard v Reay* [1967] FSR 140, *Teleworks v Telework Group* [2002] RPC 27 and *Stacey v 2020 Communications* [1991] FSR 49

and on authority that where a trader ceases to carry on his business he may nonetheless retain for at any rate some period of time the goodwill attached to that business. Indeed it is obvious. He may wish to reopen the business or he may wish to sell it. It further seems to me clear in principle and on authority that so long as he does retain the goodwill in connection with his business he must also be able to enforce his rights in respect of any name which is attached to that goodwill. It must be a question of fact and degree at what point in time a trader who has either temporarily or permanently closed down his business should be treated as no longer having any goodwill in that business or in any name attached to it which he is entitled to have protected by law. In the present case, it is quite true that the plaintiff company has no longer carried on the business of a club, so far as I know, for five years. On the other hand, it is said that the plaintiff company on the evidence continues to be regarded as still possessing goodwill to which this name AD-LIB CLUB is attached. It does, indeed, appear firstly that the defendant must have chosen the name AD-LIB CLUB by reason of the reputation which the plaintiff company's AD-LIB acquired. He has not filed any evidence giving any other reason for the selection of that name and the inference is overwhelming that he has only selected that name because it has a reputation. In the second place, it appears from the newspaper cuttings which have been exhibited that members of the public are likely to regard the new club as a continuation of the plaintiff company's club. The two things are linked up. That is no doubt the reason why the defendant has selected this name."

8) In *WS Foster & Son Limited v Brooks Brothers UK Limited* [2013] EWPC 18, Mr Recorder Iain Purvis QC dealt with the issue of residual goodwill:

"74 In my view, any such goodwill was plainly lost over time, regardless of the question of abandonment. The Defendant's case as to the maintenance of their goodwill is based on two matters. First they rely on what might be called the 'folk memory' or 'residual goodwill' enjoyed by the Peal & Co. brand in the minds of their customer base. This seems to me to be a hopeless argument. The customers of Peals in the 1960s would not have known that the goodwill had been acquired by *Brooks Brothers*. All they would have known was that Peals had ceased to exist. They would probably never have expected to be able to acquire Peals merchandise again, and any hope of doing so would have expired very quickly as they passed their trade to other suppliers, with no sign of Peals being revived. A very few long-lived customers might, as of 2005, still have had some recollection of the old company, perhaps even with a dusty pair of shoes still in the cupboard. But this can hardly be described as an aspect of 'goodwill'. Goodwill is not merely the memory of a business. It is the 'attractive force which brings in custom'. The acid test for its existence in the present case must be whether, seeing a new pair of shoes bearing the 'Peal & Co.' name and the fox and boot brand, such customers would

place any reliance on the quality of the old product from the early 1960s when considering whether to buy it. Plainly they would not. The brand would have to justify itself afresh. Residual goodwill cannot seriously expect to survive 48 years with no use.

75 Second, the Defendant claims that it maintained the goodwill associated with the Peal & Co. and fox and boot brand by selling footwear and other merchandise into the United Kingdom market under that brand throughout the period 1965 to 2005. The alleged medium of these sales was the *Brooks Brothers* mail order catalogue which was distributed on a limited basis in the United Kingdom.

.....

85 In the light of all the evidence, I conclude that sales of fox and boot device branded products by *Brooks Brothers* through their mail order catalogues or otherwise prior to 2006 were practically non-existent. On any view, there was insufficient trade to preserve the goodwill which had belonged to Peals and was acquired by the Agreement in 1964”

The relevant date

9) The matter must be judged at a particular point(s) in time. 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 the General Court 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.”

10) The relevant date at which Arada must establish its goodwill and that the use of Broseley’s mark was liable to be prevented is, consequently, 21 May 2010. Broseley make no claim to have used its mark prior to the relevant date so no issues as to senior/concurrent user are pertinent.

The evidence

11) Rather than provide a standalone summary of the evidence, I will instead draw from it when it is necessary to do so. For the record, those who have provided evidence in these proceedings are:

- i) Mr John Burgis, who describes himself as Arada's owner, a company which manufactures and sells wood burning and multi-fuel stoves. Such stoves are of the type used for keeping a room warm. Since it was incorporated Arada has had a number of names, the most recent (prior to Arada) being Aarrow Fires Limited. Mr Burgis' first witness statement focuses on the use that Arada made of the sign EVOLUTION in respect of complete stoves between 1992 and 2003 and in respect of spare parts for such stoves from 2003 onwards. In a second witness statement Mr Burgis provided further evidence to deal with some of the points Mr Reeves makes in his evidence (see below). Mr Burgis was cross-examined on his evidence. Due to illness, this took place by way of video conference.
- ii) Mr John Reeves, a director of Broseley. After giving some background about Broseley, he explains that he has more than 25 years experience in the stove industry and provides detail of his extensive history in the sector. Much of his evidence is by way of comment upon the evidence of Mr Burgis. He does, though, give evidence as to the difference between the market for gas-fired and multi-fuel stoves on the one hand, and wood burning stoves on the other, a point on which permission was given to cross-examine Mr Reeves. Unfortunately, Mr Reeves was ill at the time of the hearing so could not attend. However, another officer of Broseley (Mr Cooper) was able to give evidence on this point and was cross-examined upon it. Mr Reeves also gave evidence about a discussion he had with Mr David Adams (of Arada) at an exhibition.
- iii) Mr Steven Cooper, national sales manager of Broseley. He gives evidence as to the markets of the stoves in question and whether they are different. He agrees with some of what Mr Reeves stated in his written evidence but not all of it. I will detail this further when it becomes relevant to do so. As stated above, Mr Cooper was cross-examined on his evidence.
- iv) Mr David Adams, Arada's managing director. He gives evidence about the discussion with Mr Reeves at the exhibition.
- v) Mr Christopher Brettell, Arada's sales and marketing director. He gives evidence about what proportion of EVOLUTION stove sales relate to gas-fired stoves. This was filed shortly before the hearing in order to

contextualize the relevance of Mr Cooper’s evidence as to the difference in markets between different types of stove. Although late in the day, I allowed this evidence as it gave simple facts which would assist the tribunal.

Was there goodwill to begin with?

12) If Arada is to succeed with its claim to having a residual goodwill at the relevant date then it must be established that it had goodwill to begin with, goodwill associated with the sign EVOLUTION. Mr Shiel accepted that Arada would have had a small but protectable goodwill at least during the years of its highpoint sales. However, it is still necessary to consider the nature of that goodwill as this is relevant to the existence, or otherwise, of residual goodwill at the relevant date. Mr Burgis’ evidence details the trade that was undertaken in relation to EVOLUTION stoves. Arada manufactured and sold EVOLUTION stoves between August 1992 and March 2003. In terms of unit sales and the amount expended on promotion, the following table provides the detail:

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Total
Unit sales	92	1630	3018	3450	3659	3196	1952	871	496	468	239	69	1914
Promotion (£) ³	905	12k	28k	49k	61.5k	23k	22.5k	12k	7.5k	6.5k	3k	800	226.5k

13) Sales were made throughout the UK via a network of around 350-500 dealers. EVOLUTION was Arada’s leading brand during this time. Due to “system changes” Mr Burgis cannot provide turnover figures for these sales, however, retail price lists are provided (Exhibits JSB1/2) for the years 1993-1999. The price of an EVOLUTION stove is between £229 and £509 in 1993 and between £469 and £651 in 1999. The 1993 price list shows various options for the EVOLUTION product including: flat, low, high, wood burner; customers can choose an EV7 or EV11 (which I take to be shorthand for EVOLUTION 7 or 11). Similar options are shown in the 1999 price list.

14) Exhibits JSB3-JSB5 contain what Mr Burgis describes as installation and operating manuals which are provided to customers purchasing an EVOLUTION stove. Of the three provided all feature the name Arrow Fires (in logo format) on the front but they also feature the words “The Evolution Gas Fired Stove”, “EVOLUTION WOOD & MULTI-FUEL FIRES” or “EVOLUTION” (as a sub-brand along with other sub-brands). There are other references to EVOLUTION stoves throughout the manuals. Whilst some of the instructions are directed to the end consumer (such as log arrangement or ash removal); some of the instructions appear, on the face of it, more technical in nature.

³ For figures above £1000 (other than the total), I have rounded up or down to the nearest £500.

15) Examples of company literature promoting EVOLUTION stoves are provided in Exhibits JSB6-JSB15. They are undated. They all contain the words AAROW FIRES (often in logo form) as, effectively, the primary “house” mark. However, they all also contain references to the EVOLUTION range of stoves. Sometimes this is in the manner of THE AAROW EVOLUTION whereas sometimes EVOLUTION is used more independently. There are also references to model numbers such as EV7/11. Some stoves appear to be wood burning, some appear to be multi-fuel. There is one example of a gas fired stove. Some of the brochures also feature other sub-brands such as Arada’s Stratford range. Mr Burgis states that between 1993 and 2002 Arada exhibited its EVOLUTION stove at the Annual Stove Show; this trade show attracts around 400 attendees each year, including UK stove industry retailers, manufactures and importers.

16) In his evidence Mr Reeves contrasts the above trade show (which he states is not open to the public and in which only around 10 traders exhibit, with around 200 people attending each day) with the Fires and Fireplaces Exhibition in Harrogate at which Broseley launched its product in 2010; he states that around 3000 people attended this exhibition. As stated earlier, much of Mr Reeves’ evidence merely comments upon the evidence of Mr Burgis including: i) that the turnover/promotional figures are unsubstantiated and could overlap with other products, ii) that the number of stoves sold is very small (he estimates that the total stove market is currently 140,000 units per year), iii) that sales started tailing off from 1999 which he assumes was because the product was unpopular and therefore no goodwill was established and iv) that the stoves do not have EVOLUTION on them, so once purchased any indication of the name disappears.

17) In his second witness statement Mr Burgis deals with some of the above criticisms. He states that the stove market only started to develop in the early 80s and that in 1992 the total stove mark can be estimated at between 30,000 and 50,000 units. Under cross-examination he added that “last year’s” total UK market stove sales would have been around 180,000 units but that such levels were not reached during the period in which the EVOLUTION stove was sold. He explained that the stove market took off in the mid 2000s and that his 30,000 to 50,000 estimate was appropriate for all of the time that Arada sold its EVOLUTION stove. In his witness statement Mr Burgis confirmed that the promotional figures relate solely to the promotion of EVOLUTION stoves and provides higher figures which are attributable to all of Arada’s stoves to demonstrate the point. In relation to the exhibition, whilst he accepts that this was a trade show not open to the public, he states that it still covers 90% of the UK customer base (retailers are, presumably, the customers referred to). The reason why the exhibition Broseley exhibited at was larger was because it was a general heating show rather than a stove exhibition.

18) I found Mr Burgis to be a reliable witness. Whilst he was clearly trying to put his evidence in the best light possible, he nevertheless struck me as an honest

witness. I have no reason whatsoever to doubt the accuracy of the unit sales data or the promotional expenditure in so far as it relates to Arada's sales of EVOLUTION stoves. In terms of market size, again, I have no reason to doubt what Mr Burgis said. I bear in mind, though, that Mr Burgis has merely provided estimates (estimates which vary by 20,000 units depending on whether the top end or lower end of his estimate is closer to the truth) so it is difficult to say with certainty what proportion of the total stove market the EVOLUTION sales represent. That being said, it is clear that after a modest start in 1992, sales picked up significantly, albeit, they then started to decline leading to just 69 unit sales in 2003 (which Mr Burgis accepted was small). Clearly, the strength of any goodwill would have been strongest in the mid to late 90s. However, even though sales then begin to tail off, there is still goodwill of more than a trivial level even in 2003, although the goodwill would have been weaker at this point. The goodwill is characterized by the use of the name EVOULTION as a sub-brand, a particular range of stoves being offered by company known as Aarow Fires. Although the stoves sold were a mixture of gas-fired, multi-fuel and wood burning, the former (gas fired) represents the lowest proportion of sales (according to the evidence of Mr Brettell); the relevance of this will become clear later. **Based upon these findings, it is quite clear that Arada had the requisite goodwill associated with the EVOLUTION name as a result of its trade in stoves between 1992 and 2003.**

Was the goodwill abandoned?

19) Mr Shiel submitted at the hearing that any goodwill which Arada had established was abandoned when it decided to stop manufacturing and selling the EVOLUTION stove. Mr McCourt Fritz submitted that Arada had not abandoned the business of selling stoves under the sign EVOLUTION and that it would have been open for it to start producing a new model of stove called Evolution in just the same way that a manufacturer of cars could produce a new *Ford Mondeo*, even if had not produced one for a number of years. Mr McCourt Fritz referred to the decision of the High Court in *Maslyukov v Diageo Distilling Ltd* where Arnold J stated:

“74 As can be seen from para.132 of the decision, the hearing officer cited Wadlow, *The Law of Passing Off* (3rd ed) at 3-178. Counsel for Diageo drew attention to the fact that this issue is considered further in the Supplement to the 3rd edition, where the author quotes the following passage from the judgment of Lewison J. in *Ultraframe (UK) Ltd v Fielding* [2005] EWHC 1638 (Ch):

“1877. It is clear that, as a matter of law, goodwill can be abandoned. A common case in which abandonment is held to have taken place is where a business is discontinued, with no prospect of restarting, and its assets are broken up and sold: *Pink v Sharwood* (1913) 30 R.P.C. 725 . Mr Purvis submitted that goodwill cannot be abandoned unless the person alleged to have abandoned it knew

that he had it and intended to abandon it. However, the requirement of an intention to abandon was rejected in *Norman Kark Publications Ltd v Odhams Press Ltd* [1962] R.P.C. 163 . Mr Wadlow says in his book *The Law of Passing Off* (3rd ed. para. 3-178):

'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.'

1878. I agree. In my judgment when QCL went into liquidation, without any attempt being made to sell any of its assets (still less sell the business and goodwill as a going concern), its goodwill was destroyed."

75 The author also quotes a passage from the decision of Geoffrey Hobbs Q.C. sitting as the Appointed Person in *Mary Wilson Enterprises Inc's Trade Mark Application* [2003] EMLR 14. That case concerned the well-known pop group The Supremes, which had performed with a varying membership between 1961 and 1977. Each of the members of the group, one of whom was Mary Wilson, had a recording contract with Motown Record Corporation. Mr Hobbs found that, as between Mary Wilson and Motown, it had been agreed in 1974 that the worldwide rights in the name THE SUPREMES were owned by Motown, but that the position with regard to other members of the group was far less clear (see [32]-[33]). Professor Wadlow reads the decision as finding that all the goodwill in the name as at 1977 was owned by Motown. I am not sure that this is right, but it does not matter for present purposes. What does matter is that the hearing officer in that case had concluded that the goodwill in the name had been abandoned between 1977 and 1985, and in consequence that the opponents and a third singer, former members of the group who had reformed the group in 1985, had acquired a fresh goodwill under the name thereafter.

76 Mr Hobbs upheld the applicant's appeal on this point, saying:

"62. The goodwill attaching to THE SUPREMES name by virtue of the performances of the various Motown recording artists who had performed together under that name between 1961 and 1977 was a valuable asset. It remained a valuable asset on the basis that sales of Motown recordings of their performances as THE SUPREMES had continued without interruption. The marketing of live and recorded performances delivered by the new group concurrently with the marketing of recorded performances delivered by the old group, all being presented as performances of THE SUPREMES,

was apt to augment the pre-existing goodwill because the live and recorded performances were likely to be attributed to a single, continuing business undertaking in the perceptions and recollections of the average consumer. The pre-existing goodwill could not, in the context of the claims raised in the present proceedings, be regarded as the property of the members of the new group without evidence (which might be evidence of release, waiver or abandonment) sufficient to justify a finding that they became successors in title thereto.

63. The evidence on file is not sufficient to justify such a finding ...”

77 Mr Hobbs went on to conclude at [68] that the new group had not acquired an independent or concurrent goodwill in the name THE SUPREMES, but instead had “perpetuated and extended the pre-existing goodwill attaching to THE SUPREMES name in a manner that has merged their contribution to the economic value of it with the contributions of their predecessors”.

78 Professor Wadlow comments:

“It is implicit in the decision of the Appointed Person that the Motown-owned goodwill had neither been abandoned in 1977, nor extinguished by 198[5]. This seems correct. In the present case it would be inappropriate to attempt to distinguish between goodwill arising from live performances, and that arising from recordings and broadcasts. Sales of Supremes records continued, there was a loyal fan base, and the name was recognised by the general public. It need make no difference that the then members of the Supremes resolved in 1977 to split up and go their separate ways: they were not in law the owners of the goodwill and their collective state of mind could not prejudice Motown's rights.”

79 As I read his decision, Mr Hobbs' reasoning did not depend on any finding that the goodwill generated from 1961 to 1977 was owned by Motown. Subject to that, I agree with Professor Wadlow's analysis. As Mr Hobbs said later in the decision:

“86. The applicant appealed to an Appointed Person under s.76 of the 1994 Act contending in substance that:

...

(2) the hearing officer had mistakenly equated cessation of use with abandonment of goodwill and wrongly concluded that the goodwill in THE SUPREMES name had been abandoned when the old group disbanded in 1977;

(3) the hearing officer wrongly concluded that the activities of the new group between 1985 and 1995 had supplanted the whole of the goodwill attaching to THE SUPREMES name by virtue of the performances of the various Motown recording artists who had performed together under that name between 1961 and 1977;

...

Points (2) and (3):

90. I agree with the applicant on these points.”

80 Counsel for Diageo submitted that the hearing officer in the present case had made the same error as the hearing officer in *Mary Wilson* of equating cessation of use with abandonment of goodwill. I agree with this. As indicated by the statements of the law I have quoted from *Kerly*, Professor Wadlow's book and *Ultraframe*, the test is whether the relevant business has been abandoned so as to destroy the goodwill. Mere cessation of business is not enough. Moreover, as *Mary Wilson* illustrates, cessation of production of goods or provision of services does not necessarily mean that there has been a cessation of business capable of sustaining goodwill, still a less a destruction of the existing goodwill.

81 In the present case I do not consider that the relevant business had been abandoned so as to destroy the goodwill. It is true that the distilleries were respectively turned into a museum and destroyed, but Diageo did not liquidate the companies which owned the distilleries, still less was Diageo as a whole liquidated. On the contrary, Diageo has continued to produce whisky, including single malt Scotch whisky, on a substantial scale. The goodwill which Diageo owned in the trade marks DALLAS DHU and PITTIVAICH as at the date when the distilleries ceased production was not destroyed. On the contrary, the goodwill was sustained by further sales of whisky by the independent bottlers, in much the same way as the goodwill in THE SUPREMES was sustained by further sales of records by Motown. In any event, the existing goodwill remained an asset of Diageo to exploit as it saw fit. For example, Diageo could if it saw fit build a new distillery at Pittyvaich.

20) The explanation for stopping the manufacture and sale of EVOLUTION stoves is given by Mr Burgis in his written evidence as:

“The Evolution stoves were incredibly successful. Every design becomes dated over the years and the decision was taken to refresh the design. The wood burning stove market is design led, and customer tastes and preferences change over the years. The decline in the number of sales of EVOLUTION stoves was simply due to the fact that newer designs had been introduced to the market place. The general lifecycle of any stove in the market place is approximately 5 years. It is a testament to the

EVOLUTION stove that it was a current model for my Company for more than 9 years”

21) Under cross-examination, Mr Burgis’ answers were fully consistent with the above explanation, referring to the need to refresh products and that sales of current models may decline when competing stoves come along. He also explained that no EVOLUTION stoves were detailed on its website or on price lists after 2003 because they were not being offered at that time and, further, that nothing was put out highlighting that the stove had been discontinued.

22) Mr Shiel argued that due to the cessation being based upon the stove coming to the end of its lifespan, a decision had been made to stop production and nothing had been done (unlike in the *Diego* case) to make further sales or to keep the mark in the public eye; this, he argued, amounted to abandonment. I also note from Mr Reeves’ evidence a screen print from a company called Falcon Fires (the print was taken in July 2012) which depicts an EVOLUTION stove listed as “discontinued”; Mr Reeves came across this website when conducting some Google searches for EVOLUTION stoves; he adds that it was difficult to find any references to Arada’s EVOLUTION stoves, the majority related to Broseley’s stoves. Mr Reeves also stated that people from the trade would have been aware that Arada ceased selling EVOLUTION stoves because it would not have appeared on any price lists.

23) Mr McCourt Fritz submitted, in my view correctly, that Mr Shiel was conflating the ceasing of production with abandonment of goodwill. Whilst Arada ceased production of the EVOLUTION stove, the business continued, albeit focusing on other models. There is nothing to suggest that Arada would not re-introduce the EVOLUTION model. It did not issue any notice to suggest that the stove was discontinued, even if it had, this may not have amounted to abandonment. It simply decided to stop offering that model at that time. It would be free to re-introduce it if it saw fit. **The goodwill associated with the EVOLUTION name was not abandoned.**

What was the impact of the post-2003 sale of spare parts?

24) Again, the factual evidence on this comes from Mr Burgis. In his written evidence he states that despite the sale of complete EVOLUTION stoves ceasing in 2003, Arada continued to manufacture and sell spare parts for them. He states that this kept the mark in the public eye thereby maintaining the pre-existing goodwill. Exhibits JSB16-JSB19 contain price lists for “spares and accessories” as follows:

- i) A 2004 price list headed “Aarow Fires 1ST Line Spares List”. Highlighted (presumably by Mr Burgis) are: for various “EV” models there are fuel retainer bars, gasket and glass clips, throat plates, door rope kit and liner sets. There is an entry which reads “HINGE KIT for EVOLUTION”.

There is also a notes page which refers to throat plate replacement for particular Evolution models. These notes pages also explain that each stove is stamped with a serial number (e.g. 11T238) and a stove code (e.g. HFFM).

- ii) A similar price list from March 2006. The parts are listed as being for various EV models. There is also a reference to EVO.
- iii) A price list from May 2010, now headed "Arada Spares & Accessories Price list"...."for Arrow, Hamlet and Stratford Stoves". There are, again, various references to parts for EV models. There is a reference to "FIRE DOOR HANDLE COMPLETE FOR EVOLUTIONS", "DOOR ROPE 50 MTR ROLL FOR BECTON EVOLUTION" and "INSTALLATION AND OPERATING INSTRUCTIONS FOR EVOLUTION FIRES".
- iv) Another Arada price list from March 2011. This is after the relevant date so I will not detail its contents.

25) Mr Burgis lists a number of UK towns (an example is given in each of the regions: North East England, North West England, the Midlands, East Anglia, West England, South England, South West England, Scotland, Wales and Northern Ireland) in which Arada had customers for EVOLUTION spare parts around the time when Broseley filed its application for registration. Exhibits JSB20-23 contain customer invoices for the months January to May 2010 as follows:

- i) An invoice dated 14 January 2010 to Rangemoors Ltd which includes 3 spare parts (liner sets) for EV models.
- ii) An invoice dated 26 February 2010 to Rangemoors Ltd which includes a "FIRE DOOR HANDLE COMPLETE FOR EVOLUTIONS"
- iii) An invoice dated 9 March 2010 to The Burning Question Ltd for the same item as per the above invoice.
- iv) An invoice dated 12 March 2010 to Rangemoors Ltd which includes 5 spare parts (a liner set, a throat plate, a cast fuel retainer x 2 and a glass clip kit) for EV models and, also, the same item as in invoice ii) above.
- v) An invoice dated 19 March 2010 to Tomkinson Heating which includes 2 spare parts (a cast fuel retainer and a liner set) for EV models.

- vi) An invoice dated 16 April 2010 to Mathew Charlton (Jewsons) which includes 2 spare parts (a liner set and a throat plate) for EV models.

26) Mr Burgis states that an EVOLUTION stove would typically last for twenty years or more. He states that this is evidenced by the ongoing supply of spares and that at the relevant date there were significant numbers of customers in the UK who would have been aware of Arada's EVOLUTION stoves and parts and fittings. He adds that given the nature of stoves and the need for servicing, there is a particular requirement for a customer to retain the installation and operating manuals and to refer to them from time to time.

27) In his witness statement Mr Reeves criticizes much of the above. He notes that only 7 invoices were provided, none of which were to the general public and that there is only limited use of the word EVOLUTION in invoices and price lists (there are more references to EV). He states that there is no evidence of the spare parts being specifically promoted. Mr Reeves searched Arada's websites and found no reference to EVOLUTION; all he could find was a linked website at aradastovesandspares.com which contained two listings for spares one stating for an "Evolution 11" and another which "fits stoves – Evolution series". Mr Reeves states that the spares will be sold to stove repair businesses. It is explained that Broseley coined its mark in 2008 in a brainstorming session, nobody at that meeting recognised it as the name of a competitor; searches of the Internet were conducted at the time and nothing was found. He notes that Arada never registered the trade mark despite its claimed importance to it; Arada did, Mr Reeves states, register the name of some of its other brands. He states that in his experience stoves last for only five to ten years so there will now be very few of Arada's Evolution stoves left in circulation. In relation to the operational manuals, Mr Reeves states that there is no evidence to support the view that customers retain them; in his experience only a very small proportion would do so. He states that the main way to identify the stove is by a service engineer taking a photograph and sending it to manufactures until the model is identified. He states that as far as he knows Arada's stoves were not CE marked so this could not be used to trace a stove model.

28) In his second witness statement Mr Burgis deals with some of the above points. He states that the sale of spare parts would have maintained the goodwill and he states that the stoves would typically last for 20 years or more. He states that the stoves made by Arada are made from quality steel and the body has a lifetime guarantee. He states that in the year ending on 20 May 2010 sales of parts under the EVOLUTION mark were £65,713 which demonstrates that there is still a demand for them. In relation to the method of sale, it is explained that, historically, spare parts were sold via a dealer network which is why the invoices he provided were not to the general public. Mr Burgis states that this changed in 2012 with sales now being made direct to the public. He states that every stove customer would have received an operating manual which featured the

EVOLUTION name. He accepts that the stoves are not CE marked, but this was because this was not required at the time.

29) Under cross-examination Mr Shiel questioned Mr Burgis about the sale of spare parts, whether they were to engineers or end-users, how the dealer network worked etc. Some of the exchanges are detailed below:

Q. So at the date we are talking about in May 2010, the sales of spare parts were to your dealer network or stockists?

A. Yes, they would be to the dealer network because people would go in. Because they could not order from us, the normal procedure is that they would either go into their dealer and ask for a spare part and the dealer would then order it directly from us. Alternatively, end-users would ring in to our technical department -- this happens quite frequently -- and the technical department would help them identify which spare it is that they require and give them a part number. They also provide them with a name and address of a local dealer where they can then go in and order the appropriate Evolution part for their stove.

Q. Okay. Those dealers will sell to stove repair engineers -- the people who go into the home and repair the stove?

A. No, rarely will that happen. The majority of spares are sold to end-users. The Evolution is a very simple appliance and is designed that way deliberately, as are most of our products, and parts are very easily replaceable by the end-user. I would imagine that in excess of 97% of our parts are sold to end-users for installing themselves. You do not normally have an engineer out to change a piece of glass, to change a rope gasket or to replace a grate bar. In fact, I can hardly see why you would have an engineer out to change parts in a stove unless you were physically incapable of doing it, because it is a very simple operation. A grate bar, for example, is merely opening the door, lifting up one grate bar, removing it and putting in a new grate bar. It is as simple as that.

30) In relation to gas stoves, Mr Burgis accepted that there was a greater likelihood of those parts being sold to gas engineers rather than end users, for obvious safety reasons. The exchange went on:

- Q. I think what we are saying, Mr. Burgis, is that most spare parts, such as this, would be sold to a properly qualified stove engineer. Perhaps I am taking myself as an example. I would not know how to change a spare part on the stove. I would have to get someone to come and service it for me.
- A. Are you talking about a gas stove or a multi-fuel stove?
- Q. Definitely a gas stove and almost certainly a multi-fuel stove?
- A. I would disagree with you completely.
- Q. Okay.
- A. Our manuals are very comprehensive. As I say, I would estimate with some degree of certainty, having been in this industry for over 35 years, that 97%, or better than 97%, of our spares are sold to end-users. If you were familiar with stoves, I think you would understand how simple it is. There are only certain things that need replacing. They are end-user replaceable items, such as glass, grate bars, throat plates and bricks. I would be very surprised if many people brought in an engineer to replace any of those items, because it is a very simple operation.

31) Mr McCourt Fritz re-examined Mr Bugis and asked him to explain the process by which end-user obtain spares, Mr Burgis stated:

"I am not saying that happens on every occasion, but lots of people would ring up and say that they have an Evolution stove, and say, for example, "The plate above the fire" -- which is how it is often described -- "has buckled or warped and needs replacing, can I get a new one?" The technical department would then go through it with them to establish exactly what stove it is that they have by serial number or, if that fails, just by description. They would say, for example, "Yes, you have an Evolution 7", which would be termed EV7, "and the part you require is a throat plate, and the part number for that is EV-XYZ. If you go to your local stockists you can order it." They will often then say, "Where can I buy one of these spare parts?" If they asked us that question, this is where Rangemoors would come in. We would then say, "There is a stockist called Rangemoors. This is their number. If you ring them, they will dispatch the spare part to you

overnight and you should have it tomorrow." That is how the system works. "

32) Under cross-examination Mr Burgis referred again to the dealer network and that this was how things were done at the time. This has now changed and Arada now sell spares directly to the public via a website and he stated that sales have gone up as a result. There was also an exchange relating to the frequency of parts requiring replacement, I did not find this helpful either way. Mr Shiel also took Mr Burgis through the various price list and invoices highlighting that there were few references to EVOLUTION; Mr Burgis, whilst not disputing this fact, was a little puzzled by this as there were frequent references to EV which he said was obviously an abbreviation for EVOLUTION and such coding is commonly found on price lists and invoices. In relation to packaging, Mr Burgis stated that the spares would be packaged with the AAROW name together with the appropriate coding.

33) In order to decide whether a misrepresentation would occur on the basis of any residual goodwill, I need to consider what impact the post 2003 sales would have had and whether, as Arada claim, the EVOLUTION name has been kept in the public eye. In making such an assessment I take the following views:

- i) I accept that for a product such as a stove, a good proportion of customers will retain the operating manual for future reference. Although Mr Reeves stated that there is no evidence to this effect (which is true) and his view was that very few customers would retain them, I come to the view that Mr Burgis' explanation is more probable.
- ii) I accept that the lifespan (in a home) of a stove is a reasonable one, probably longer than Mr Reeves 5 to 10 year estimate, although, whether 20 years is typical is not established. The fact that spares were being sold to a reasonable volume in the year before the relevant date supports this to a degree, particularly bearing in mind when the bulk of the EVOLUTION stoves were sold.
- iii) I accept that (save for gas-fired stoves) a good proportion of spare parts for EVOLUTION stoves were being sold to the end user via the dealer network. Mr Burgis estimated that around 97% of spares were sold to end-users; whilst I do not accept this figure as fact, I am satisfied that a good proportion, probably the majority, were.
- iv) I accept that in order for the end-user to obtain a spare part then he/she would need to identify what stove they had. This is likely to have been achieved by either referring to the operating manual and/or providing the code stamped on the stove to either Arada or a spare parts dealer. In the case of the latter, I also accept that it is likely that the end-user will be informed what model of stove they possess. Mr Reeves' evidence that identification will be achieved by way of a stove repairer

taking a photograph and circulating it to manufacturers is much less probable.

34) Whilst I do not accept that many customers who purchased an EVOLUTION stove will, at the relevant date, remember the name of the stove purely on the basis of the initial purchase, I consider that the net effect of the above is that a not insignificant number of end-user customers will, at the relevant date, have knowledge of the EVOLUTION name as a model of stove produced by Aarow/Arada. Such knowledge comes primarily through the acquisition of spare parts for the stove, but also through the perusal of the operating manual from time to time. The numbers of such customers would be of more than a trivial level. Consequently, at the relevant date the goodwill of Arada was still associated with the sign EVOLUTION.

Misrepresentation

35) The test for misrepresentation was explained in *Reckitt & Colman Products Ltd v Borden Inc* thus:

“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”

36) I must be satisfied that the goods offered under Broseley’s mark would be taken (or likely to be taken) by a substantial number of Arada’s customers or potential customers to be the goods of Arada; obviously, only those customers who have knowledge of the EVOLUTION name in respect of stoves are relevant. Although an intention to misrepresent would be a highly relevant factor, it is not a prerequisite. Misrepresentation can be found in innocent circumstances. In this case there is no evidence or even suggestion that there was an intention to pass-off.

37) I must consider the goods in question. Although there is no requirement in passing-off for goods to be similar, or for there to be a common field of activity, it is nevertheless a highly relevant factor, as can be seen from the judgment in *Harrods Ltd v Harrodian School* [1996] RPC 697, where Millett LJ stated:

“The absence of a common field of activity, therefore, is not fatal; but it is not irrelevant either. In deciding whether there is a likelihood of confusion, it is an important and highly relevant consideration.”

and

“The name "Harrods" may be universally recognised, but the business with which it is associated in the minds of the public is not all embracing. To be known to everyone is not to be known for everything.”

and

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

38) Broseley’s mark is registered in respect of:

“Wood burning room heaters and boiler stoves.”

39) In his evidence Mr Reeves stated that any marketing material provided by Mr Burgis is only relevant if it relates to wood burning stoves because these are the only ones that Broseley sell. This led to his evidence that the market for gas-fired and multi-fuel stoves on the one hand differs from the market for wood burning stoves on the other. He adds that the design and method of operation of the stoves is very different and those with an interest in wood burning stoves will have no interest in the others. Mr Burgis takes a different view. His view is that there is no real difference in the market, as exemplified by the fact that Arada sold all three categories of stove. To add to the mix is Mr Cooper. Mr Cooper gave evidence on behalf of Broseley when it became clear that Mr Reeves was unable to be cross-examined on his evidence. Mr Cooper’s view is that there is no real difference in the market between wood-burning and multi-fuel stoves, but that gas-fired stoves are treated and sold differently. Both Mr Cooper and Mr Burgis were cross-examined on their evidence. I do not consider it necessary to dwell on this matter. This is because Mr Brettell provided evidence to show that only a small proportion of Arada’s sales of EVOLUTION stoves were for gas fired stoves. The upshot of this is that the vast majority of sales were a mixture of multi-fuel and wood-burning, the types of stoves that Mr Cooper accepts are marketed together. I come to the view, therefore, that the goods as registered are either identical or very similar to the primary goods that were sold under Arada’s EVOLUTION name which, in turn, is a strong indicator in favour of misrepresentation.

40) In terms of the mark registered by Broseley, it is depicted below:



41) When Arada's EVOLUTION stoves were being sold, the word EVOLUTION was not presented in a form or get-up similar to the above. Nevertheless, despite Mr Shiel (in his evidence) and Mr Reeves (in his witness statement) highlighting the differences which are inherent between the above form and the form in which Arada made use of the word EVOLUTION, it is still clearly an EVOLUTION mark. It will be seen predominantly as such, heard as such and conceptualized as such. I bear in mind the differences, but I also bear in mind that consumers know that businesses often change the way in which they present brands, whilst retaining the key brand or sub-brand. I must take into account that the goodwill is associated with a sub-brand, the primary brand being AAROW FIRES. However, this does not rule out misrepresentation as in this case EVOLUTION stands out as a particular range of stoves distinctive of it and will be recalled as such. I come to the view that these are reasonably strong indicators in favour of misrepresentation.

42) The nature of the goodwill needs to be factored in. This is a case of residual goodwill and, as Mr Purvis pointed out in *WS Foster & Son Limited v Brooks Brothers UK Limited*, a mere memory or recollection of the name is not enough because goodwill is the attractive force which brings in custom. The "acid test" is whether customers would place any reliance on the old product when considering whether to buy the new. The EVOLUTION name needs, ultimately, to still be distinctive of Arada. In my view it is. Those customers who recall the name will recall it as being distinctive of Arada. The time period which has elapsed between the ceasing of production and the relevant date, whilst not insignificant, is not multiple decades. Furthermore, given that the type of goods in question are not things brought that often, and given that the original one purchased will have lasted a reasonable length of time, the customer may not even know that Arada no longer produce an EVOLUTION stove. This increases the likelihood that upon seeing a product under Broseley's mark, this will be put down to the product in question being the responsibility of Arada. **I come to the view that misrepresentation will occur.**

43) I should add that the one aspect of the evidence I have not commented upon is the discussion at an exhibition between Mr Reeves and Mr Adams. I do not find this evidence particularly helpful either way. Even if Mr Reeves' evidence is correct (that Mr Adams made no comment about Broseley's use of EVOLUTION and even took away a brochure) this does nothing to undermine the objective findings I have made. In any event, Mr Adams denies what Mr Reeves stated. I need say no more about this, it is a peripheral point.

Damage

44) Mr Shiel submitted that no evidence had been provided that any form of damage would arise. He highlighted that there would be no loss of sales because (obviously) Arada no longer sells EVOLUTION stoves and there is no evidence that it intends to put them out again. Mr McCourt Fritz submitted that damage

was likely because Arada would have no control over the quality of Broseley's products which could therefore impact upon the reputation of Arada's stoves. He also argued that there would be an erosion of distinctiveness of goodwill. Mr McCourt Fritz referred again to the decision of Arnold J in *Maslyukov v Diegeo Distilling Ltd*:

85 Secondly, counsel submitted that the hearing officer had wrongly failed to recognise that damage resulting from Diegeo's loss of control over the marks, including erosion of distinctiveness of the marks, was sufficient damage to sustain a passing off action, as shown by the following passage from McAlpine at [20] which the hearing officer himself quoted at para.128 of the decision:

"When it comes to considering damage, the law is not so naïve as to confine the damage to directly provable losses of sales, or 'direct sale for sale substitution'. The law recognises that damage from wrongful association can be wider than that. Thus in *Ewing v Buttercup Margarine Ltd (1917)* 34 R.P.C. 232 Warrington L.J. said:

'To induce the belief that my business is a branch of another man's business may do that other man damage in all kinds of ways. The quality of the goods I sell; the kind of business I do; the credit or otherwise which I might enjoy. All those things may immensely injure the other man, who is assumed wrongly to be associated with me.'

In so saying, he was not limiting the kinds of potential damage to those listed by him. Rather, he was indicating that the subtleties of the effect of passing off extend into effects that are more subtle than merely sales lost to a passing off competitor. In *Associated Newspapers Ltd v Express Newspapers [2003]* F.S.R. 909 at 929 Laddie J. cited this passage, referred to other cases and went on to say:

'In all these cases [that is to say, the Clock Ltd case referred to above and *Harrods v Harrodian School [1996]* R.P.C. 679], direct sale for sale substitution is unlikely or impossible. Nevertheless the damage to the claimant can be substantial and invidious since the defendant's activities may remove from the claimant his ability to control and develop as he wishes the reputation in his mark. Thus, for a long time, the common law has protected a trader from the risk of false association as it has against the risk of more conventional goods for goods confusion.'

The same judge expressed himself more picturesquely, but equally helpfully, in *Irvine v Talksport Ltd* [2002] 1 W.L.R. 2355 at 2366. Having pointed out the more familiar, and easier, case of a defendant selling inferior goods in substitution for the claimant's and the consequential damage, he went on to say:

'But goodwill will be protected even if there is no immediate damage in the above sense. For example, it has long been recognised that a defendant cannot avoid a finding of passing off by showing that his goods or services are of as good or better quality than the claimant's. In such a case, although the defendant may not damage the goodwill as such, what he does is damage the value of the goodwill to the claimant because, instead of benefiting from exclusive rights to his property, the latter now finds that someone else is squatting on it. It is for the owner of goodwill to maintain, raise or lower the quality of his reputation or decide who, if anyone, can use it alongside him. The ability to do that is compromised if another can use the reputation or goodwill without his permission and as he likes. Thus Fortnum and Mason is no more entitled to use the name FW Woolworth than FW Woolworth is entitled to use the name Fortnum and Mason ...' 'The law will vindicate the claimant's exclusive right to the reputation or goodwill. It will not allow others so to use goodwill as to reduce, blur or diminish its exclusivity.' (at 2368)

In *Taittinger SA v Allbev Ltd* [1994] 4 All ER 75 at 88, Peter Gibson L.J. acknowledged that:

'Erosion of the distinctiveness of the name champagne in this country is a form of damage to the goodwill of the business of the champagne houses.' The same view was expressed by Sir Thomas Bingham MR at 93."

86 I accept both of these submissions. In my judgment the hearing officer was wrong to conclude that there would be no likelihood of damage to Diegeo's goodwill if Mr Maslyukov started using the trade marks upon goods which did not emanate from the distilleries in question

45) To illustrate the point further, I note that in *WS Foster & Son Limited v Brooks Brothers UK Limited* [2013] EWPC 18, Mr Recorder Iain Purvis QC stated:

“Damage

55 Although proof of damage is an essential requirement of passing off cases, it will generally be presumed where a misrepresentation leading to a likelihood of deception has been established, since such deception will be likely to lead to loss of sales and/or more general damage to the exclusivity of the Claimant's unregistered mark. Mr Aikens accepted that if there was a misrepresentation in the present case, then he had no separate case on damage. I hold that damage is inevitable, at least in the sense recognised in *Sir Robert McAlpine v Alfred McAlpine [2004] RPC 36* at 49 (the ‘blurring, diminishing or erosion’ of the distinctiveness of the mark).”

46) If, as I have found, there will be an assumption that the goods put out under Broseley’s mark are actually the responsibility of Arada then, clearly, this will impact upon and erode the capacity of the name to be distinctive of Arada. Further, Arada’s business still continues. Even though they do not currently offer the EVOLUTION stove, I agree with Mr McCourt Fritz that without being able to control the quality of stoves put out by Broseley under its registered mark, there is potential for this to impact upon the reputation of the stoves that Arada do put out now. **The requisite damage is present.**

Outcome

47) The application for invalidation has succeeded in its entirety. I hereby declare the mark invalid and deem its registration never to have been made.

Costs

48) Arada has been successful and is entitled to a contribution towards its costs, including a contribution towards the costs of Mr Burgis having to attend for cross-examination. Mr Burgis did not attend in person due to his illness, attending instead via video-link; Arada asks that it be compensated for the cost of hiring the video-conference facilities, a sum of £825. I do not feel it reasonable for Broseley to have to meet this cost in full because under normal circumstances the costs associated with attendance for cross-examination would have been much lower. I consider a sum of £300 to be a reasonable amount to award in respect of the cross-examination. I hereby order Broseley Fires Limited to pay Arada Limited the sum of £2800. This sum is calculated as follows:

Application fee for filing invalidation - £200

Preparing a statement and considering the other side’s statement - £300

Considering and filing evidence - £1000

Attending the hearing - £1000

Cross-examination - £300

49) 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 1st day of July 2013

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