

O-176-14

TRADE MARKS ACT 1994

**TRADE MARK REGISTRATION No. 2557468
IN THE NAME OF ROADRUNNERS (GATWICK) LIMITED**

AND

**APPLICATION 84487
BY ROAD RUNNERS EG LIMITED
FOR A DECLARATION OF INVALIDITY**

Background and pleadings

1. This is an application by Road Runners EG Limited (“EG”) for a declaration of invalidity against that trade mark registration 2557468 for the mark ROADRUNNERS. The registration stands in the name of RoadRunners Gatwick Limited (“Gatwick”) and covers:

Arrangement of taxi transport; taxi services; taxi transport; transport of travellers by taxi.

2. The application to register the trade mark was filed (by Gatwick) on 1 September 2010. The mark was registered on 8 June 2012. The application to invalidate the registration was filed on 9 July 2012.

3. The grounds for invalidation are that:

- EG has been using the name ROADRUNNERS throughout the UK in relation to its taxi services since 1976. The applicant has operated a number of companies using this name followed by the name of the area of operation.
- Use of the registered mark by Gatwick is therefore likely to cause confusion and damage EG’s business and goodwill. Registration of the mark by Gatwick was therefore contrary to s.5(4)(a) of the Act.
- The owner and director of Gatwick is a taxi driver who was formerly employed by EG and therefore knew of the applicant’s use of the mark. Gatwick’s intention in applying to register the mark was to prevent a competitor from continuing to use it.
- The owner and director of Gatwick purchased that business and its assets without the consent of EG (or, more precisely, the owner of EG) who was a joint shareholder in Gatwick at the time of the sale.
- Gatwick therefore applied to register the trade mark in bad faith, contrary to s.3(6) of the Act.

4. A counterstatement was filed on behalf of Gatwick which stated that:

- Gatwick (and its predecessors in title to the goodwill of the business) has used the registered mark in relation to the services for which it is registered since 1993.
- The registered mark is distinctive of Gatwick’s business and it was entitled to register the trade mark.

- The owners of Gatwick are Mr Muzaffar Hussein and Mrs Nusrat Hussein. Mrs Hussein is the sole director. Mr and Mrs Hussein have never worked for EG.
- EG is not a former shareholder of Gatwick.
- The application was not made in bad faith.

5. Both sides seek an award of costs.

The hearing

6. The matter was heard on 28 February 2014 when Gatwick was represented by Mr Jonathan Moss of Counsel, instructed by Humphreys & Co, and EG was represented by Ms Kate McCormick of Trade Mark Direct.

The facts

7. EG filed twelve witness statements in support of its application. Five are from David Kemp (who filed two), James Kemp, Tomas Kemp and Alan Willis. The last three are, respectively, the Director, General Manager and Sales Manager of EG. David Kemp describes himself as the founder of the Roadrunner “group”.

8. Four other statements are made by Nigel Holmwood, Barry Wickens and Yasar Khan, who are taxi drivers who work for EG and/or used to work for other Roadrunner businesses previously run by David Kemp, and Kevin Rampersand. Mr Rampersand formerly worked for Mr Hussein as an office manager at Gatwick, but now he works for EG.

9. The other three statements come from people who have knowledge of David or James Kemp’s current and previous Roadrunner businesses. Allan Anslow is a retired Licensing Officer who was employed by Wealsdon District Council and had firsthand knowledge of EG’s taxi business between 1999 and 2009. Andrew Rose is a self employed computer systems provider who has supplied systems to various Roadrunner businesses for over 20 years. Peter Long is the founder and Managing Director of PLG Signs Limited, which supplied business and vehicle signs to EG and David Kemp for over 20 years.

10. Gatwick filed two witness statements. The first is from Muzaffar Hussein, who describes himself as the person with day to knowledge of running Gatwick. He used to be a director and shareholder of that company, but now he is only a shareholder.

11. The second statement is from David Moss, who gives evidence that his former company, MMA Limited, purchased the Roadrunners business in Redhill as a going concern in 1997. The business was bought from Revlink Limited and Brookside Properties Limited. The Redhill business and its assets, together with the company that is Gatwick, were sold to Mr and Mrs Hussein in 2004.

The facts

12. I will first set out the facts that do not appear to be in dispute and then make findings of fact about the ones that are.

13. The parties appear to agree that the first taxi business to use the Roadrunners name was the business in Croydon that David Kemp bought in 1976 and renamed Roadrunners. Roadrunners (Croydon) Limited was incorporated in 1982 and appears to have continued the pre-existing business. Roadrunners (Croydon) Limited later went in liquidation and was wound up in 1992. Despite this Mr Kemp says that it is still trading and run by a Mr Stewart Wilkenson. I return to this point below under the section covering disputed facts.

14. It is also appears to be accepted that David Kemp set up further taxi businesses called Roadrunners in the period 1976 to 1989. These were at Wallington, Purley, Coulsdon, New Addington, Beckenham, Swindon, Bristol and Portsmouth. These offices were franchised to various individuals. Between 1989 and 1991 most of these businesses were sold off as going concerns allowing each of them to continue using the Roadrunners name. The Coulsdon business was retained and remained franchised to a Mr David Dickenson.

15. According to the Companies House records exhibited to Mr David Kemp's first statement,¹ Roadrunners (Portsmouth) Limited was dissolved in 1990. Roadrunners (Bristol) Limited was dissolved in 1993. It is not clear what happened to the businesses at Wallington, Purley, New Addington and Beckenham.

16. In his second statement Mr David Kemp says that he "repurchased" the Croydon and Coulsdon businesses in the 1990s (it is not clear when Mr Kemp sold the Coulsdon business) and opened further businesses in Redhill in 1991, in East Grinstead and Haywards Heath.

17. The Redhill business was franchised to a Mr Mike Stone in 1994 and then, in 1995, Mr David Moss took it over. Mr David Kemp retained 30% of the business. The remainder of the business was then owned by Mr Moss. In 1996 Roadrunners (Redhill) Limited was incorporated. The company was dissolved in 1999, but prior to this the Roadrunners Redhill business was transferred as a going concern to another company called MMA Limited. I return the significance of this below under the section covering disputed facts.

18. EG was incorporated on 12 April 1996 and began trading as a taxi business in 1997.²

19. Roadrunners (Swindon) Limited changed its name to Flightlink Executive Travel Limited in 2010.

¹ As exhibit DK1

² See the accounts at exhibit JK6 to Mr James Kemp's statement.

20. A company called Roadrunner (UK) Limited was incorporated by Mr Kemp in 2006, but it appears to be a corporate vehicle owning the phone lines to EG and does not appear to be a taxi business as such.

21. In 2009 Mr James Kemp and Mr Hussein met to discuss the possibility of a joint venture under the Roadrunners name in Crawley, but no agreement was reached.

22. Roadrunners (Crawley) Limited was incorporated on 14 October 2009. However, according to records from Companies House³ that company was still dormant at 31 March 2011.

23. This means that in 2010 EG operated under the Roadrunners name in Surrey and Sussex with its main office in Horley and satellite taxi offices in Bexhill, Coulsdon, East Grinstead and Haywards Heath.

24. Since 2003, EG has also operated in the Redhill and neighbouring Reigate districts. However, in these areas it is known as '780' after the telephone number it uses for its office there, 780780. EG uses a different trading name in these districts so as to avoid confusion with Gatwick's business.

25. I now turn to the disputed facts.

Is there a Roadrunner 'group'?

26. There is no Roadrunner's group in the sense usually meant by 'group', i.e. a group of companies in the same overall ownership. It is clear on the evidence that the various Roadrunner businesses that Mr David Kemp sold off as going concerns are no longer owned or controlled by EG or any other business owned by David (or James) Kemp.

27. Further, the goodwill associated with those businesses would have transferred to the new owners. EG cannot therefore rely on the goodwill associated with those businesses (even if they still exist and trade as Roadrunners) in these proceedings. In particular, if the original Roadrunners Croydon business is still ongoing, as Mr Kemp claims, the goodwill in that business is now owned by the person he sold it to (or his successor(s) in title). EG cannot therefore rely on that goodwill in these proceedings.

28. At the date of the Gatwick's application for registration ("the relevant date"), EG operated five taxi offices at different geographical locations. It therefore had a 'group' of taxi businesses, but the same undertaking – EG – ran them all.

Is Gatwick the owner of the goodwill from the Roadrunners Redhill business?

29. Mr David Kemp says that in 1991 he opened a taxi business called Roadrunners at Merstham Station, which later in 1994 moved to Station Road, Redhill. At that time

³ See exhibit DK1 to Mr David Kemp's first statement.

it was franchised to Michael Stone. Mr Kemp says that he retained 100% ownership of the business. In 1995 the franchise was sold to David Moss, who had worked with Mr Kemp in other businesses. Roadrunners (Redhill) Limited was incorporated on 8 February 1996 (two months before EG was incorporated). In his second statement, David Kemp says that he transferred the Roadrunners Redhill business to this company.

30. David Kemp claims that between 1996 and 1999 he owned 30% of the shares in Roadrunners (Redhill) Limited (the other shares being held by David Moss). However, that statement is factually wrong. The records from Companies House⁴ show that in February 1997 the shares of Roadrunners (Redhill) Limited were held by two companies, Brookfield Properties Limited (which owned 98 shares) and Revlink Limited (which owned 2 shares). No previous shareholders are listed.

31. David Kemp's second statement explains that because of tax liabilities he owned UK businesses through offshore companies, which held property in trust for him. These companies are said to be Revlink Limited and Brookfield Properties Limited. According to David Kemp, the latter company is now the holding company of EG and "*the owners of this company hold its shares on trust for the Directors of [EG]*".⁵

32. In the same statement, David Kemp says David Moss wished to buy the Roadrunners Redhill franchise from Michael Stone. He continues that "*we took out a loan of £330k over three years*", but he clarifies that the loan was in fact taken out by Mr Moss's wife and secured against her property. This is broadly consistent with Mr Moss's evidence, which is that a company called MMA Limited took out the loan from Midland Bank, but Lynne Janet Pain acted as personal guarantor for this loan. The documents exhibited to Mr Hussein's statement⁶ show that:

- i) A charge in favour of Midland Bank plc was registered by MMA Limited in 2007;
- ii) Lynne Pain provided a guarantee to Midland Bank;
- iii) Lynne Pain was the sole shareholder of MMA Limited and she and David Moss were directors of that company;

33. I note that Mr Moss and Ms Pain are listed at the same residential address. I infer from this that she is the 'wife' of David Moss referred to in David Kemp's evidence, although nothing turns on whether this description of their marital status is correct or not.

⁴ See exhibit MH1 to Mr Hussein's statement.

⁵ There is no documentary evidence as to the legal ownership of Brookfield Properties Limited (or Revlink Limited).

⁶ Pages 7 to 31 of MH1

34. Mr Moss gives unchallenged evidence that:

- i) MMA Limited paid £300k for the business previously conducted by Roadrunners (Redhill) Limited;
- ii) £290k was paid to Brookfield Properties Limited and £10k was paid to Revlink Limited;
- ii) The business was transferred as a going concern to MMA Limited in August 1997, which carried on the business as before;
- iv) The purchase did not include the company, Roadrunners (Redhill) Limited.

35. David Kemp says that there was an agreement that once the loan was repaid the company would be sold at market value to David Kemp's son, James Kemp, that Mr Moss and his 'wife' would receive 70% of the profits from the sale, and that he (David Kemp) would receive 30%. This appears to be the basis of David Kemp's claim that Mr Moss held 30% of the shares in Roadrunners (Redhill) Limited were held on trust for him.

36. I see no legal or factual basis for that claim. Firstly, Mr Moss was never the legal owner of shares in MMA Limited. Secondly, the evidence shows that MMA Limited bought the business previously conducted by Roadrunners (Redhill) Limited in 1997 as a going concern and paid the shareholders of that company £300k in consideration. Even if those shareholders - Revlink Limited and Brookfield Properties Limited - held shares in Roadrunners (Redhill) Limited on trust for David Kemp, as he claims, they (and therefore Mr Kemp as the beneficiary of the trust) received payment for the sale of the business.

37. Mr Moss says that, following the purchase of the Redhill business, it was operated by MMA Limited using the same premises, staff and cars as before.

38. Gatwick was incorporated on 12 February 1999. Lynne Pain was a director and the secretary of Gatwick between 12 February 1999 and 30 September 2004. She was also the sole shareholder.⁷

39. Mr Moss says that Gatwick was incorporated with a view to bidding on the Gatwick airport private hire concession. The bid was unsuccessful.

40. Mr Moss's evidence is that Mr Hussein and his wife approached MMA Limited in 2003 about possibility of purchasing the Roadrunners Redhill business. Later, in 2004, an agreement was reached through which Mr and Mrs Hussein purchased Gatwick, the Roadrunners Redhill business and its assets, including the goodwill and the right to use the Roadrunners name. The purchase price was £250k (less than the price that MMA Limited bought it for).

⁷ See pages 31 and 68 to 73 of exhibit MH1 to Mr Hussein's statement.

41. Mr Hussein's evidence is that in or around 1996 he became a self-employed driver working for the Roadrunners Redhill business. He gives similar evidence to that of Mr Moss as to how he and his wife subsequently purchased the business as a going concern.

42. Mr Hussein exhibits:⁸

- i) A copy of share purchase agreement dated 1 October 2004 between Lynne Pain and Mr and Mrs Hussein transferring the shares in Gatwick to them;
- ii) A copy of an agreement of the same date through which Mrs Pain, on behalf of MMA Limited, agreed to sell the business conducted by Roadrunners Redhill to Gatwick for £250k (Mr Hussein signed that agreement on behalf of Gatwick);
- iii) A copy of Gatwick's accounts for the year ending 30 September 2005 showing intangible assets of £250k.

43. David Kemp considers that he owns a 30% percent of the goodwill in the business run by Gatwick, presumably on account of what he believes to be the unpaid debt of Mr Moss. He claims that Mr Hussein had full knowledge of his 30% interest in the Redhill business because Mr Hussein had worked for Mr Kemp (as a driver) for a number of years prior to David Moss's "*arrival*" [in 1995/96] and had been privy to conversations at which this was discussed. Mr Kemp's claim is supported by the evidence of Nigel Holmwood, a self-employed taxi driver working for EG, who says that Mr Hussein was "*very vocal*" to him and "*took delight*" in the fact that David Kemp had lost his share in the ownership of Roadrunners Redhill business when he (Mr Hussein) acquired it.

44. Mr Hussein's evidence is that up until August 1997 all the dealings he had about his work were with Michael Stone or Susan Allan, who were the directors of the company at that time. So far as he was aware, neither James Kemp nor David Kemp was involved in the management of the company. He thought they held the positions of taxi controller and driver, respectively. From August 1997 onwards he dealt with Lynne Pain and David Moss.

45. There is no documentary evidence that MMA Limited held any property on trust for David Kemp. Even if there was an agreement that Mr Moss would pay David Kemp 30% of any 'profits' MMA Limited obtained from the future sale of the Redhill business, any such agreement would have to be enforced as a contractual matter in order for Mr Kemp to recover the amount owed to him by Mr Moss or MMA Limited following the re-sale of the business. If the debt had been paid following the sale, any such agreement would have been satisfied. Therefore even if such an

⁸ As pages 74 to 91 of MH1

agreement existed, it would not have prevented MMA Limited's sale of the Roadrunners Redhill business (and the goodwill that went with it).

46. David Kemp acknowledges that he never took any action to recover the amount he considered to be owed to him by Mr Moss following the sale of the business to Gatwick in 2004.

47. I see no legal basis on which Mr Kemp can claim to have been entitled to a share in the goodwill of the Roadrunners business in Redhill at the relevant date in 2010, which on his own evidence had been conducted by MMA Limited and by Gatwick since 1997, and had been legally owned by Gatwick since 2004.

48. As to the claim that Mr Hussein was on notice of David Kemp's interest in the business when he and his wife bought it in 2004, it seems inherently unlikely that a self-employed taxi driver would have known the details of an unwritten financial understanding between Mr Moss and Mr David Kemp when he and his wife bought the business from MMA Limited in 2004. Therefore, despite Mr Holmwood's evidence, which is ambiguous about the dates of the statements made to him by Mr Hussein, I am doubtful that it would be safe to infer that Mr Hussein was on notice of any interest that David Kemp may have had in the business at the time of the purchase.

49. I therefore find that:

- i) Gatwick was the owner of the taxi business operated in Redhill under the name Roadrunners between 2004 and the relevant date;
- ii) Gatwick is entitled to claim to be the successor in title to the previous businesses operated at that location under the same name going back to 1991, and certainly since Roadrunners (Redhill) Limited was incorporated in February 1996.

Is Gatwick the first user of Roadrunners (compared to EG)?

50. Gatwick's title to goodwill going back to 1991 means that it is entitled to claim to have used the name ROADRUNNERS for taxi services before EG first used that name in 1997. That would still be the case even if Gatwick's title goes back no further than the incorporation of Roadrunners (Redhill) Limited in April 1996.

What was the intention behind the Gatwick's application to register ROADRUNNERS?

51. David Kemp says that "we" bid in 2011 to win a concession at Gatwick airport. Gatwick also bid. Gatwick Cars Limited (the company of which James Kemp is a director) won the concession and now trades there as Gatwick Cars. David Kemp attributes Gatwick's trade mark application to its loss of the Gatwick airport

concession. However, that is plainly wrong because the application was filed in 2010, well before the rival bids for the Gatwick airport concession.

52. James Kemp says that Mr Hussein “*bragged to many drivers of how he owned 100% of Roadrunners and the Kemps had nothing to do with the company and how they couldn’t do anything about it*”. However, based on my findings, that it (almost) an accurate statement of fact (in fact Mr Hussein owns 50% of the company that owns the Roadrunners Redhill business, his wife owning the other 50%).

53. James Kemp also states that Mr Hussein has an antagonism towards what he describes as ‘the Roadrunner group’ and has made false allegations of breach of licence obligations against the company in the past. According to James Kemp, EG has been exonerated on each occasion.⁹ Mr Kemp concludes that the trade mark application was motivated by a desire to damage EG’s business and, if allowed to stand, will result in Gatwick pursuing EG for trade mark infringement, despite its historical rights to the Roadrunner name.

54. Mr Rampersand (who has worked for both parties) says that EG has a larger business than Gatwick with licences in three districts compared to Gatwick’s one. Mr Rampersand also says that he witnessed Mr Hussein frequently tell others that he wished to “*take out*” the Kemps, and he understood this to mean stop them operating in the taxi industry. He says that Mr Hussein was “*obsessed*” with driving EG out of the Reigate and Banstead borough in which Gatwick operates, and that he showed by his words and actions that he wanted to destroy or damage the business of EG. Mr Rampersand also claims that, following the meeting with James Kemp in 2009 about the possibility of a joint venture, Mr Hussein told him that it was his intention to catch EG unaware and take legal action for trade mark infringement. Mr Rampersand states that Mr Hussein had in fact already started the procedure for registering the ROADRUNNERS trade mark at that time, although this seems unlikely given that the application for registration was not filed until 1 September 2010.

55. EG’s witnesses make various other allegations about Mr Hussein, including that he poached drivers from EG and made untrue allegations of a racial character against the Kemp family. These allegations reinforce the perception of bitter rivalry between the parties, but I do not regard them as shedding any further light on the intentions behind the trade mark registration at issue.

56. Mr Hussein offers no evidence about his intentions when applying to register the mark. In particular, he does not deny Mr Rampersand’s evidence about his antagonism towards EG, nor does he deny that he intends to enforce his trade mark against EG in order to prevent it from continuing to use the ROADRUNNERS name.

⁹ There is confirmation of one such outcome in exhibit JK4 to Mr Kemp’s statement.

57. I find that the intention behind the trade mark application was to gain further protection for the established Roadrunners mark owned by Gatwick in Redhill and Reigate. This included the prospect of taking infringement action in order to prevent EG from continuing to trade under the Roadrunners name.

The passing off right claim

58. Section 5(4)(a) of the Act is as follows:

“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”

59. The basic requirements to establish a passing off right are not in dispute. They are:

- i) That EG had acquired goodwill under the mark;
- ii) That Gatwick’s use of the mark constituted a misrepresentation to the public;
- iii) That EG was liable to suffer damage to its goodwill because of Gatwick’s misrepresentation.¹⁰

60. It is also common ground that the relevant date is the date of Gatwick’s application to register ROADRUNNERS as a trade mark – 1 September 2010.

61. Given that the parties had been trading under the ROADRUNNERS mark for years prior to that date, it is necessary to consider the position at the start of the use complained about, and then to consider whether the position was any different at the relevant date. As Gatwick has title to the goodwill in the ROADRUNNERS Redhill taxi business, which predates any use of ROADRUNNERS by EG, it is obvious that EG could not have prevented use of the mark by Gatwick’s predecessors in title in 1991 or 1996.

62. I accept that EG had acquired goodwill under the ROADRUNNERS name by the relevant date as a result of the taxi business it had run in Surrey and Sussex since 1997. This goodwill was mainly in the localities of Horley, Bexhill, Coulsdon, East Grinstead and Haywards Heath. There is no suggestion that EG was passing off as the Roadrunners Redhill business when it started trading in 1997. EG trades under a different name in Redhill and Reigate because it recognised that in that locality ROADRUNNERS was distinctive of Gatwick’s business.

¹⁰ See *Reckitt & Colman Limited v Borden Inc. and Ors* [1990] RPC 341, HL

63. Mr Iain Purvis Q.C., sitting as a judge in the Patents County Court, considered the law on concurrent use in his judgment in *W.S. Foster & Son Limited v Brooks Brothers UK Limited*¹¹ with particular regard to the circumstances in which a defence of honest concurrent use might be established. He concluded as follows:

“Concurrent goodwill

56. It is well-established that there are cases in which, despite the existence of the elements of the 'classical trinity' of goodwill, likelihood of deception and damage, a Claimant will not be able to restrain the use of a confusingly similar mark by a Defendant. One subset of these cases is where the Defendant can justify the use of his mark on the basis of his own goodwill built up independently of the Claimant. In Phones 4U at paragraph 21 Jacob LJ described such a case of 'honest concurrent use' as being an example of 'tolerated deception or a tolerated level of deception'. The Defendant in the present case claims the benefit of such a defence.

57. The doctrine was explained by Lord Diplock in General Electric [1972] 1 WLR 729 at 743 as follows:

'the interest of the public in not being deceived about the origin of goods had and has to be accommodated with the vested right of property of traders in trade marks which they have honestly adopted and which by public use have attracted a valuable goodwill.'

58. In Hotel Cipriani v. Cipriani (Grosvenor Street) Ltd [2009] RPC 9, Arnold J at first instance noted at [232] that concurrent goodwill *'can in appropriate circumstances constitute a defence to a passing off claim'*. So far as I am aware, there are two recognised types of 'appropriate circumstances' in which a defence of based on honest concurrent use may exist.

59. The first type involves independent goodwill built up over the years in separate localities by different traders who then come into collision as a result of increased trade. This is the first instance given by Lord Diplock in GE after the passage quoted above. One example of this in the authorities (though strictly obiter) is the position of the Defendant in the Hit Factory case, see Peter Waterman v CBS United Kingdom Ltd [1993] ETMR 27 at 50.

60. The second are 'common ancestor' cases where both parties originally derived their use of the name legitimately from the same source and have since traded under the name alongside one another. The most famous example of this is the clockmaker case of Dent v Turpin (1861) 2 J&H 139 quoted by Jacob LJ in Phones 4U at 22. There, father Dent had two clock shops in London and had bequeathed one each to his two sons. Both traded legitimately as Dent, and it is clear that neither could have brought an action to stop the other. Either or both was entitled to bring an action to stop a third party, Mr Turpin, from using the Dent name. Other examples can be seen on the facts of Habib Bank v Habib Bank [1982] RPC 1 and Sir Robert McAlpine

¹¹ [2013] EWPC 18 (PCC)

v Alfred McAlpine [2004] RPC 36. McAlpine is also an illustration of one of the limits of the doctrine: if the Defendant starts to trade in a way which is materially different from the way in which he has legitimately built up his own goodwill, so as to cause confusion with the Claimant (in that case it involved a change in the use of the sign itself, by dropping the distinguishing identifier 'Alfred', but other instances might involve a change of business practice such as moving to a different geographical area), then the honest concurrent use defence will not help him.

61. The authorities therefore seem to me to establish that a defence of honest concurrent use in a passing off action requires at least the following conditions to be satisfied:

(i) the first use of the sign complained of in the United Kingdom by the Defendant or his predecessor in title must have been entirely legitimate (not itself an act of passing off);

(ii) by the time of the acts alleged to amount to passing off, the Defendant or his predecessor in title must have made sufficient use of the sign complained of to establish a protectable goodwill of his own;

(iii) the acts alleged to amount to passing off must not be materially different from the way in which the Defendant had previously carried on business when the sign was originally and legitimately used, the test for materiality being that the difference will significantly increase the likelihood of deception.

64. The parties' concurrent use in this case is because of common ancestry. David Kemp started both businesses. I have found that Gatwick is to be regarded as the first user of ROADRUNNERS (as against EG) in terms of time because it is entitled to claim the goodwill in the taxi business started in Redhill in 1991 whereas EG's taxi business did not start until 1997. Mr Moss submitted that this meant that, as a matter of law, EG could not establish a passing off right claim against Gatwick.

64. Whilst it is generally true that the senior user prevails over the junior user, I do not accept this is necessarily correct where, as in this case, the businesses are essentially local in nature, have been established in different localities, and the behaviour being examined covers the possibility of one of the parties using the mark in an area where the mark has become distinctive of the other trader. In this connection, I note the following passages from 'The Law of Passing-Off: Unfair Competition by Misrepresentation 4th Ed. Wadlow'.

New departure: expansion of geographical area

9-103 It quite frequently happens that two or more businesses may use the same name, mark or get-up in different geographical areas without difficulties arising, but may come into conflict when one or both of them expands. The basic rule is that each may use that name, etc. in its home territory, but that established rights of use in one area do not provide a defence should one business expand into an area where the name denotes the other.....

9-104 In *Cavendish House v Cavendish-Woodhouse*¹² the plaintiffs were a long-established department store in Cheltenham. The defendants had a furniture shop in Cheltenham and had recently changed its name to “Cavendish”, that name being in use by other shops in the chain all over the country on a large scale. The Court of Appeal granted an injunction against the use of the name for the Cheltenham shop, despite nine months’ delay. Similarly, in *Levey v Henderson-Kenton*¹³ a department store in Newcastle (which had been out of business for two years but hoped to reopen) obtained an interlocutory injunction against the defendants opening a furniture shop in Newcastle under the same name. The defendants had about 30 shops already trading as “Kentons”, but most were in the South of England or the Midlands and the nearest was 120 miles from Newcastle.

65. Laddie J. made the same point in *Byford v Oliver*¹⁴ where he stated that:

“32. Mr Foley appears to have construed the section as if it is only concerned with cases where the use of the mark by the proprietor starts after use of the same or a similar mark by someone else. I do not think that this is what the section says. For the prohibition to bite, all that needs to be shown is that, at the time of the application to register, the normal use of the mark by the proprietor would be liable to be prevented by passing off proceedings brought by someone else. It may well be that in most cases this will only arise when the other party had commenced using his mark before the proprietor, but it is not inevitably so and the section does not require it to be so. The fact that the convenient title “proprietor of an earlier mark” is used to designate the other party does not limit the scope of the section. Consider, for example, a case in which one proprietor uses a mark on a retail clothing business in Manchester and the other uses it on a similar business in Plymouth. They commence trade at the same time. Their trades do not compete because of the geographical separation. Assume the Manchester trader registers the mark. Normal use of it would include use in Plymouth. That would be liable to give rise to a cause of action in passing off (see *Levey (A.A.) v Henderson-Kenton (Holdings)* [1974] R.P.C. 617 and *Evans v Eradicure* [1972] R.P.C. 808). For that reason the registration by the Manchester trader would fall foul of s.5(4)(a) even though the Plymouth trader commenced use of the mark at the same time. For the same reason the Plymouth trader could not register the mark.”

66. I note that in the case of *Levey v Henderson-Kenton* the successful plaintiff was the junior user of the name in terms of time. It is true that the parties’ businesses in these cases had, prior to the extension of the use of their names, been more geographically remote from one another than the parties in this case. However, each case turns on its own facts. The local licensing arrangements, the fact that EG trades under a different name in the Redhill and Reigate district, but the same name as Gatwick in other nearby localities, without apparent confusion, and the history of

¹² [1970] R.P.C. 234 CA

¹³ [1974] R.P.C. 617

¹⁴ [2003] EWHC 295 (Ch)

David Kemp starting ROADRUNNERS businesses in different localities and selling them off to third parties, all point to the particularly local nature of taxi businesses. Taxi services are not like goods bearing a trade mark, which naturally travel around the country once they have been placed on the market.

67. At the hearing I asked Mr Moss what the position would be if his client extended his business to offer taxi services in the districts in which EG's business is established. He submitted that as the first user of the mark (as against EG) it would be open to Gatwick to do so. I do not agree. In my view, EG had established local goodwill in the districts in which it operated at the relevant date and ROADRUNNERS mark was distinctive of its services in those localities. This would have meant that if Gatwick had offered taxi services in (say) East Grinstead, it would have been misrepresenting itself to the public there as being EG, or being economically connected to EG. That would have caused loss of business to EG and damaged EG's goodwill in a way that Gatwick's use of the same mark elsewhere would not have done. Gatwick's antecedent use of ROADRUNNERS in a different locality does not undermine that finding. Further, such an extension of Gatwick's use into the localities in which ROADRUNNERS is distinctive of EG would not have qualified as honest concurrent use because it would breach point (iii) in paragraph 61 of the judgment of Iain Purvis Q.C. cited above.

68. For these reasons, I find that, at the relevant date, EG was entitled to restrain Gatwick under the law of passing off from trading as ROADRUNNERS in at least Horley, Bexhill, Coulsdon, East Grinstead and Haywards Heath.

69. As Gatwick's trade mark is registered for the whole of the UK, including the localities of Horley, Bexhill, Coulsdon, East Grinstead and Haywards Heath, this means that registration of the mark in the UK was contrary to s.5(4)(a) of the Act.

The bad faith claim

70. Section 3(6) of the Act states that a trade mark shall not be registered if, or to the extent that, the application is made in bad faith.

71. Ms McCormick relied on the following passage from the judgment of the Court of Justice of the European Union ("CJEU") in *Chocoladenfabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*.¹⁵

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

¹⁵ Case C-529/07

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

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

72. According to Ms McCormick, Gatwick's intention in this case could be attributed to Mr Hussein's intention, which according to Mr Rampersand was to stop EG making further use of ROADRUNNERS in order to damage a competitor's business.

73. Mr Moss was reluctant to accept that Mr Hussein's intentions (whatever they were) could be attributed to Mr Hussein, who was not a director of Gatwick when the application was filed. However, Mr Hussein says that he was a director up until 2009 and continues to run the business on a day to day basis. I have no doubt that he is the moving force behind Gatwick and that his intentions can therefore be attributed to the company.

74. Mr Moss relied on paragraph 133 of the judgment of Arnold J. in *Red Bull GmbH v Sun Mark Ltd & Anor*¹⁶, which I have set out in context below.

"Bad faith: general principles

130. A number of general principles concerning bad faith for the purposes of section 3(6) of the 1994 Act/Article 3(2)(d) of the Directive/Article 52(1)(b) of the Regulation are now fairly well established. (For a helpful discussion of many of these points, see N.M. Dawson, "Bad faith in European trade mark law" [2011] IPQ 229.)

131. First, the relevant date for assessing whether an application to register a trade mark was made in bad faith is the application date: see Case C-529/07 *Chocoladenfabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* [2009] ECR I-4893 at [35].

132. Secondly, although the relevant date is the application date, later evidence is relevant if it casts light backwards on the position as at the application date: see *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2008] EWHC 3032 (Ch), [2009] RPC 9 at [167] and cf. Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* [2004] ECR I-1159 at [31] and Case C-192/03 *Alcon Inc v OHIM* [2004] ECR I-8993 at [41].

¹⁶ [2012] EWHC 1929 (Ch)

133. Thirdly, a person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation which must be distinctly proved. The standard of proof is on the balance of probabilities but cogent evidence is required due to the seriousness of the allegation. It is not enough to prove facts which are also consistent with good faith: see BRUTT Trade Marks [2007] RPC 19 at [29], von Rossum v Heinrich Mack Nachf. GmbH & Co KG (Case R 336/207-2, OHIM Second Board of Appeal, 13 November 2007) at [22] and Funke Kunststoffe GmbH v Astral Property Pty Ltd (Case R 1621/2006-4, OHIM Fourth Board of Appeal, 21 December 2009) at [22].

134. Fourthly, bad faith includes 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": see Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd [1999] RPC 367 at 379 and DAAWAT Trade Mark (Case C000659037/1, OHIM Cancellation Division, 28 June 2004) at [8].

135. Fifthly, section 3(6) of the 1994 Act, Article 3(2)(d) of the Directive and Article 52(1)(b) of the Regulation are intended to prevent abuse of the trade mark system: see Melly's Trade Mark Application [2008] RPC 20 at [51] and CHOOSI Trade Mark (Case R 633/2007-2, OHIM Second Board of Appeal, 29 February 2008) at [21]. As the case law makes clear, there are two main classes of abuse. The first concerns abuse vis-à-vis the relevant office, for example where the applicant knowingly supplies untrue or misleading information in support of his application; and the second concerns abuse vis-à-vis third parties: see Cipriani at [185].

136. Sixthly, in order to determine whether the applicant acted in bad faith, the tribunal must make an overall assessment, taking into account all the factors relevant to the particular case: see Lindt v Hauswirth at [37].

137. Seventhly, the tribunal must first ascertain what the defendant knew about the matters in question and then decide whether, in the light of that knowledge, the defendant's conduct is dishonest (or otherwise falls short of the standards of acceptable commercial behaviour) judged by ordinary standards of honest people. The applicant's own standards of honesty (or acceptable commercial behaviour) are irrelevant to the enquiry: see AJIT WEEKLY Trade Mark [2006] RPC 25 at [35]-[41], GERSON Trade Mark (Case R 916/2004-1, OHIM First Board of Appeal, 4 June 2009) at [53] and Campbell v Hughes [2011] RPC 21 at [36].

138. Eighthly, consideration must be given to the applicant's intention. As the CJEU stated in *Lindt v Hauswirth*:

"41. ... in order to determine whether there was bad faith, consideration must also be given to the applicant's intention at the time when he files the application for registration.

42. It must be observed in that regard that, as the Advocate General states in point 58 of her Opinion, the applicant's intention at the relevant time is a subjective factor which must be determined by reference to the objective circumstances of the particular case.

43. Accordingly, the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of the applicant.

44. That is in particular the case when it becomes apparent, subsequently, that the applicant applied for registration of a sign as a Community trade mark without intending to use it, his sole objective being to prevent a third party from entering the market.

45. In such a case, the mark does not fulfil its essential function, namely that of ensuring that the consumer or end-user can identify the origin of the product or service concerned by allowing him to distinguish that product or service from those of different origin, without any confusion (see, inter alia, Joined Cases C-456/01 P and C-457/01 P *Henkel v OHIM* [2004] ECR I-5089, paragraph 48)."

75. There is no doubt in this case that Mr Hussein was well aware of EG's business at the date of the application for registration.

76. In *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Limited and others*,¹⁷ Arnold J. stated that:

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

77. Of course, this was said in the context of a Community trade mark where an applicant may be seeking exclusive rights to a mark across a substantial part of the

¹⁷ [2009] RPC 9 (HC) and approved by the COA in [2010] RPC 16

EU whilst accepting that it has no exclusive rights to the mark in certain localities within the EU. That is far removed from the position in this case where Gatwick obtained UK-wide exclusive rights in ROADRUNNERS against a background of its unregistered rights in only one locality within the UK, and where Mr Hussein ought to have known that EG had established similar rights to the mark in several other nearby localities.

78. Mr Hussein may have believed that he had a superior right to the trade mark, but he ought to have realised that Gatwick's goodwill did not entitle him to exclusive rights to the mark in the areas in which EG had been trading as ROADRUNNERS for years.

79. Mr Hussein might have said that he thought that EG would have a defence under section 11(3) of the Act on the basis that EG was the first user of the mark in the localities in which it had traded under ROADRUNNERS before the date of the application for registration. Alternatively, he might simply have said that Gatwick did not intend to sue EG for continuing to trade in those areas. Mr Hussein has done neither. In fact he gives no evidence as to his intentions at the time of the application. It is submitted on behalf of Gatwick that Mr Rampersand is a disgruntled former employee with an axe to grind. If I had to choose between the evidence of Mr Rampersand and that of Mr Hussein, that point might have weighed in favour of Mr Hussein's version of their discussions. However, as Mr Hussein has not offered any evidence of his own to contradict Mr Rampersand's recollection of Mr Hussein's statements to him, I accept the evidence given by Mr Rampersand on behalf of EG, that Mr Hussein made statements to him that were consistent with a desire to destroy or damage EG's business. This is consistent with the fact that, despite years of concurrent trading in different but nearby localities, Gatwick makes no complaint that the use of the ROADRUNNERS mark by EG has caused confusion or deception amongst its customers. It is not therefore obvious why Gatwick considered it necessary to obtain a UK-wide trade mark registration, despite being acutely aware that it was not the only business using the name ROADRUNNERS for taxi services.

80. I therefore find that the application was made in bad faith.

Invalidation

81. Section 47(1) of the Act states:

"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.”

82. It follows from my earlier findings that the trade mark was registered in breach of s.3(6) and s.5(4)(a) of the Act. Consequently, I find that it is invalid.

Costs

83. The parties wished to make submissions on costs following sight of this decision. I therefore allow the parties 21 days from the date of this decision to make written submissions on costs, which should be copied to the other side. I will allow a further 10 days for any submissions in reply.

Appeal

84. This is a final decision on the substance and the period for appeal starts from the date below. I will issue a decision on costs after reviewing the parties' submissions and set another period for appeal against that decision.

Dated this 22nd Day of April 2014

**Allan James
For the Registrar**