

## **CHAPTER 3**

### **UNITED KINGDOM**

#### **1. INTRODUCTION**

English Law provides protection against the unauthorised use of a trade mark essentially on two bases. That is, firstly, the common law, and, secondly, statutory law. In regard to the latter, in particular, there has been a strong European influence, which must be borne in mind when applying the relevant statutory provisions. The various principles of the common law and the provisions of the Trade Marks Act 1994, as well as earlier legislation, will now be considered.

#### **2. THE RELEVANCE OF PRIOR USE IN A COMMON LAW CONTEXT**

##### **2.1 Nature of right being protected**

Under English law, the rights established through the prior use of a trade mark are protected by way of the remedy of passing off. In order to succeed with such an action, the courts have stated various requirements, and they will be discussed below. However, before these aspects are considered, it is necessary to have regard to the nature of the right that is being protected in an action for passing off. Clearly it is not the mere prior use as such that would be protected.

##### **2.1.1 Earlier decisions**

It is of interest to briefly note the historical development of views on the nature of the right that is being protected when someone has used a trade mark.<sup>1</sup> Kerly<sup>2</sup> states that at the time of the introduction of legislation regarding trade marks during 1875, it was accepted that property in a trade mark existed from the moment that it was first used on goods within the market. According to Nicholson's Application<sup>3</sup> rights were obtained through mere use. Kerly<sup>4</sup> states that this judgment distinguishes the case of a mark

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1 See Kerly Law of Trade Marks 7th Edition, (1951) Sweet & Maxwell, London 388.

2 Ibid.

3 1931 [RPC] 227.

4 Law of Trade Marks (1951) 389

which is prima facie non-distinctive and is to the effect that such a mark does not become a trade mark at all until by reputation in the market it has come to denote the goods of the trader using it. In view of the acceptance that a trade mark was itself a form of property and that the trader who used it might be entitled to protection from the moment when he places goods on the market bearing the trade mark, some form of distinction based on the nature of the mark was necessary. This matter again came to the fore in the well-known decision of Reddaway v Banham<sup>5</sup> where Lord Herschell doubted<sup>6</sup> whether it is accurate to speak of there being property in a trade mark. In Burberrys v J.C. Cording<sup>7</sup> it was also stated<sup>8</sup> that there is only property in the goodwill that will be injured through the use of a mark. This view was later confirmed in the decision in Spalding v Gamage.<sup>9</sup>

## 2.1.2 Modern views

### 2.1.2.1 Writers

Writers on the matter in a modern context also follow, in general, the approach of stressing the importance of viewing the action for passing off as a remedy to protect the goodwill of the business as a whole. Wadlow<sup>10</sup> deals with this aspect in some detail. He states that passing off does not directly protect trade marks or other indicia, nor does it recognise them as forms of property in their own right. According to him there is no such thing as an action for infringement of a common law trade mark. However, trade marks in their wider sense are of the greatest importance in passing off because the essential element of misrepresentation often depends on whether the plaintiff's alleged indicia have trade mark significance. If they do, then use of deceptively similar indicia constitutes a misrepresentation. However, it is still a right of property in the business or goodwill in connection with which the mark was being used.

Because passing off normally turns on the misuse by the defendant of some name, mark, get-up or indicia of the plaintiff, it is tempting to regard the plaintiff as having a

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5 [1896] RPC 218.

6 Page 228 line 17.

7 [1909] RPC 693.

8 Page 701 line 8.

9 [1915] RPC 273.

specific goodwill in the mark which is protected by the action for passing-off. However, passing off is not confined to such cases, and the misrepresentation need not take the form of misuse of a distinctive mark to which goodwill might be said to attach. It should also be borne in mind that goodwill is a form of legal property and is only valuable to the extent that it can be protected through the courts. Although it is possible to speak of the goodwill attached to a mark, or the goodwill in a mark, this can mean no more than the mark as legal property, the right to protect the mark against infringement.<sup>11</sup> If passing-off were based on the protection of the goodwill of a specific mark, as opposed to the goodwill of the business as a whole, it would be indistinguishable from the abolished common law infringement action.<sup>12</sup>

It has been stated,<sup>13</sup> with reference to case law, that the view has been rejected that it was the proprietary rights of the trader in the mark, name or get-up which were themselves protected. That is not to say, however, that the effect of the modern law of passing off is to deny protection to a mark, name or get-up, but rather that the modern law of passing off is not focused upon those indicia as such, but is aimed at something different. It is this distinction which is often lost, hence the many judicial dicta aimed at explaining what is, in truth, a relatively simple legal concept.

Cornish<sup>14</sup> places this aspect in a different perspective. He states that an action for misrepresentation will lie even where the defendant is innocent and relief may be granted without proof of actual damage but simply because of the likelihood of further injury. This would carry passing off further than most other economic torts. In view of this potentially wide-ranging form of liability, judges have in the past been careful to ensure that this form of liability is not imposed in an indiscriminate manner. He states<sup>15</sup> that this caution is expressed in the refusal to treat rights arising from the use of a trade mark as providing a fully-fledged right of property in that mark. All that the common law protects through the passing off action, is the goodwill that exists between a trader and his customers, which the trade mark helps to sustain. Accordingly, there is no property

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10 The Law of Passing-off 2nd Edition (1995) Sweet & Maxwell, London 45.

11 Wadlow The Law of Passing-off 46.

12 Wadlow The Law of Passing-off 47.

13 Morcom et.al. The Modern Law of Trade Marks (1999) Butterworths, London 241.

14 Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights 4th Edition (1999) Sweet & Maxwell, London 619.

15 Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights 619.

in the name as such. Furthermore, his rights against imitators last only so long as he does not abandon his business, and he cannot by assignment give another trader the power to sue for passing-off unless he assigns his business at the same time. This principle also restricts the tort to injury in the course of trade. Cornish states this succinctly:<sup>16</sup>

“One person cannot object if the name by which his house is known is used by the house next door.”

#### 2.1.2.2 Case law

The distinction between rights in a common law as opposed to a statutory context was recognised in Norman Kark Publications Limited v Odhams Press Limited.<sup>17</sup> A published a magazine under the name Today which was later discontinued as a separate publication and incorporated into a magazine published under a different name. B published a magazine, seven years later, under the name Today. A claimed that the reputation that it had established in relation to the name Today is still present and that if they wish to revive the magazine, their prospects of doing so would be prejudiced, if not ruined, should the field be occupied by B.<sup>18</sup> The court stated<sup>19</sup> that the principle to be applied is that which lies at the foundation of all cases where the plaintiff seeks to protect a trade name, such name not being a registered trade mark, where the plaintiff must show that at the date of the user by the defendant of which he complains, he has a proprietary right to the goodwill of the name, or, in other words, that the name remains distinctive of some product of his, so that the use by the defendant of the name is calculated to deceive.

A also raised the argument<sup>20</sup> that once they have proved a right to the mark by user and reputation, the mark becomes theirs and acquires a status analogous to that of a registered mark. More specifically, rights are not lost by mere non-user.

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16 Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights 620.

17 [1962] RPC 163.

18 Page 167 line 28.

19 Page 169 line 33.

20 Page 169 line 49.

The court, however, adopted<sup>21</sup> the approach that rights are established through user and reputation and, therefore, did not accept A's argument that a right to the word Today should be regarded as in the nature of a right to a trade mark which, once acquired, remains effective until abandoned. The court accordingly ruled in favour of B.

In the decision in Taittinger v Allbev Ltd<sup>22</sup> the concept of dilution seems to have been accepted as a ground for common law protection. There the use of the word Champagne in relation to a carbonated non-alcoholic soft drink was prohibited. The court made reference, *inter alia*, to "The consequences of debasement, dilution or erosion..."<sup>23</sup> and stated that "Any product which is not Champagne...must inevitably...erode the singularity and exclusiveness of the description Champagne...".<sup>24</sup> The ruling of the Court of Appeal, recognising the concept of dilution of an unregistered mark, may, in the view of Annand and Norman,<sup>25</sup> signify the start of a move towards treating the common law trade mark as an item of property. The provisions of section 56 of the Trade Marks Act 1994 are also of relevance. This section provides protection for well-known marks as envisaged in the Paris Convention, whether or not the proprietor carries on business, or has any goodwill in the United Kingdom.<sup>26</sup> Having regard to the Taittinger decision<sup>27</sup> and section 56, the writers make the following observation:<sup>28</sup>

"If the presence of goodwill is not required for liability under section 56, but instead merely reputation, why should goodwill continue to be relevant for passing off generally? And if reputation alone suffices, does this not mean that the property right which is being infringed resides in the mark itself? Although this last point would seem heretical, it can be argued that it is entirely in accord with the recognition of the dilution of an unregistered trade mark in Taittinger v Allbev Ltd...Dilution, as has been noted, exists not to prevent customer confusion, but to stop the erosion of the advertising power of the trade mark.

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21 Page 171 line 3.

22 [1993] FSR 641.

23 Page 674.

24 Page 678.

25 Blackstone's Guide to the Trade Marks Act 1994 (1994) Blackstone Press Limited, London 24.

26 Section 60(1).

27 Note 22.

28 Blackstone's Guide to the Trade Marks Act 1994 32 (own emphasis).

The logical conclusion of dilution is that there is property in an unregistered mark”.

In summary, support for the view that there is a right in the nature of property was found in earlier cases. However, later decisions, and most modern writers, adopt the approach that the action for passing-off does not protect the right in a trade mark as such but only the goodwill that has been established through the use thereof. The view has been expressed, however, that legislation and decisions on the dilution of marks could herald a move towards the recognition of a common law trade mark.

## **2.2 Basis of protection**

The basis of protection is the tort of passing off, but the existence of a wider form of liability has sometimes been mooted. There is considerable interaction between Australian and English decisions on the issue at hand, and it is, therefore, relevant to briefly consider, firstly, two leading Australian cases.

### **2.2.1 Australia**

A wider form of liability apparently featured in Cadbury – Schweppes Pty Ltd v The Pub Squash Co. Ltd<sup>29</sup> where A developed a television and radio advertising campaign based on certain themes and slogans, and also introduced a product with a get-up in accordance with the former. Two years later B launched a product of a similar nature and chose a similar theme for their television advertising campaign. Rejecting the claims based on passing off, the Privy Council stated<sup>30</sup> that there is a wider ambit in terms of what is being protected, but there was no suggestion by the court that the remedy concerned is anything other than passing off.

Reference was also made to the term "unfair competition" in the decision of Moorgate Tobacco Ltd v Philip Morris Ltd<sup>31</sup> in which reliance was placed on certain information passed from a licensor to a licensee, and which was said to be confidential. According

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29 [1981] RPC 429.

30 Page 490 line 37.

31 [1985] RPC 219.

to the licensor, the use of the information by the licensee amounted to unfair competition. The court rejected the claim and stated<sup>32</sup> that so-called unfair competition does not, in itself, provide a sufficient basis for relief.<sup>33</sup>

The Australian position is accordingly that no recognition is given to a ground of action that would approximate an unfair competition remedy, and it is seen as an issue which should rather be addressed by legislation.

### 2.2.2 English law

Insofar as English law is concerned, the position is that the term "unfair trading" has been used on occasion. For instance, in Erven Warnink B.V. v J. Townend & Sons (Hull) Ltd,<sup>34</sup> Lord Diplock stated that unfair trading is a wrong actionable at the suit of other traders who thereby suffer loss of business or goodwill.

According to Wadlow<sup>35</sup> the guiding principle still seems to be that stated in Mogul Steamship Co. v McGregor Gow<sup>36</sup> where it was said that to draw a line between fair and unfair competition, between what is reasonable and unreasonable, is a power that falls outside the reach of the courts.<sup>37</sup> It is also now settled law that the "drinks" cases<sup>38</sup> are

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32 Page 236 line 1.

33 The court, however, indicated that the rejection of a general action for unfair competition does not imply that it is unacceptable to adopt a flexible approach towards traditional forms of remedies when such an approach is required in order to adapt these remedies so as to meet new circumstances. It was, for instance, possible to adapt the doctrine of passing-off to meet new circumstances relating to the confusing use of names, descriptive names or other indicia. It was also said (page 240 line 2 – 13, own emphasis) that:

"The rejection of a general action for "unfair competition" involves no more than a recognition of the fact that the existence of such an action is inconsistent with the established limits of the traditional and statutory causes of action which are available to a trader in respect of damage caused or threatened by a competitor. Those limits, which defined a boundary between the area of legal or equitable restraint and protection and the area of untrammelled competition, increasingly reflect what the responsible Parliament or Parliaments have determined to be the appropriate balance between competing claims and policies. Neither legal principle nor social utility requires or warrants the obliteration of that boundary by the importation of a cause of action whose main characteristic is the scope it allows, under high-sounding generalizations, for judicial indulgence or idiosyncratic notions of what is fair in the market place."

34 [1980] RPC 31.

35 The Law of Passing-Off 38.

36 (1889) 23 Q.B.D. 598 (CA).

37 Wadlow The Law of Passing-Off 38.

38 See the discussion at paragraph 2.3 infra.

all examples of passing off and that no more general theory of unlawful competition is required to explain them. He refers to a number of other cases of interest. In the matter of Harrods v. Schwartz-Sackin<sup>39</sup> the plaintiff adopted the approach that unfair competition may exist in circumstances where the goodwill of someone is appropriated even without a misrepresentation, but the relief granted by the court was based on a contractual arrangement between the parties. In the later decision of Mail Newspapers v. Insert Media (No 2)<sup>40</sup> the plaintiff, in a passing of action, wished to introduce the additional ground for relief that the defendant was liable for unfair trading. The court, however, refused the amendment on the basis that it was unarguable and insufficient in law. The legal position is summarised by Wadlow<sup>41</sup> by stating that although there is no general tort of unfair competition in English law, the existence of a tort of unlawful interference with business is accepted, and this may perhaps be more “protean” than passing-off. The details of this remedy are, however, still to be fleshed out.

Kerly<sup>42</sup> expresses the view that English law purports to comply with the United Kingdom’s obligations as a member of the Paris Convention through a mixture of passing off, malicious falsehood and a variety of criminal statutory provisions. This is in addition to a steadily increasing amount of legislation originating from the European Union. He points out that most continental European countries provide a generalised cause of action of “unfair competition,” but English law does not. In his view, acts of so-called “unfair competition” likely to cause any real damage to other traders, can be accommodated with few, if any, exceptions under the rubric of passing off, as it is currently interpreted, or, on occasion, within malicious falsehood. Acts of unfair competition likely to cause real damage to the consuming public would fall within the ambit of criminal law, especially that relating to false trade descriptions. He concludes<sup>43</sup> that there is no doubt that broad liability on the basis of unfair competition would assist plaintiffs whose cause of action does not fall within the traditional criteria for passing off.

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39 [1986] FSR 490.

40 [1988] All E.R. 420.

41 The Law of Passing Off 39.

42 Law of Trade Marks (2001) 441.

43 Ibid.

In **summary**, it thus seems fair to say that English courts are yet to recognise the existence of a broad tort of unfair competition. For current purposes, it is accordingly necessary to have regard to the principles relating to the specific tort of passing off.

### 2.3 Requirements for protection

The remedy of passing off is of paramount importance in the common law. However, as will be shown in the second part of this chapter,<sup>44</sup> it is also of relevance in a statutory context. There is relatively general agreement regarding the requirements for a passing-off action.<sup>45</sup> However, in defining the requirements more closely, a distinction is made in terms of two forms of the tort of passing off, namely the classic form, as typified by the “classical trinity,” and the “extended” form as found in the so-called “drinks” cases, being the Champagne,<sup>46</sup> Sherry<sup>47</sup> and Advocaat<sup>48</sup> decisions. These aspects are now considered.

#### 2.3.1 The classic form

In the case of Reckitt and Colman Products Limited v Borden<sup>49</sup> the court relied on the classical trinity in their definition of the elements of the cause of action of passing off. Lord Oliver stated<sup>50</sup> that the following must be proven. First, that a goodwill or reputation exists through public identification with the distinctive mark. That a misrepresentation was made, and that he suffers, or is likely to suffer, damage by reason of the erroneous belief engendered by the misrepresentation.

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44 See, for instance, the discussion of section 5(4)(a) of the Trade Marks Act 1994 in paragraph 3.1.2.2.

45 See Young Passing Off Third edition (1995) Longman, London 2; Drysdale and Silverleaf Passing Off: Law and Practice (1986) Butterworths, London 11; Cornish Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights 621; Morcom *et.al.* The Modern Law of Trade Marks 242; Wadlow The Law of Passing-Off 1; Michaels A Practical Guide to Trade Mark Law (1996) Sweet & Maxwell, London 115.

46 Bollinger v Costa Brava Wine Company Ltd [1961] RPC 116.

47 Vine Products v MacKenzie [1969] RPC 1.

48 Note 34.

49 [1990] RPC 341.

50 Page 406 line 26 - line 43.

### 2.3.2 Extended form

Kerly<sup>51</sup> states that the reversion to the classical trinity in the Reckitt case<sup>52</sup> followed the attempts by Lords Diplock and Fraser in the Advocaat case<sup>53</sup> to formulate propositions of the law of passing off to take account of its extended form. Lord Diplock's formulation<sup>54</sup> involved the requirements of (1) a misrepresentation (2) made in the course of trade (3) to customers (4) which is calculated to injure the business or goodwill (in the sense that this is a reasonably foreseeable consequence) concerned, and (5) which causes actual damage.

Insofar as later cases that considered these tests are concerned, it is of relevance to have regard to the decision in Harrods Limited v Harrodian School Limited.<sup>55</sup> Millett LJ said<sup>56</sup> that he found the approach of Lord Oliver more helpful than that of Lord Diplock in two regards. First, Lord Oliver stated that the claimant must show not a goodwill or reputation in his trade mark, but a goodwill or reputation attaching to the goods or services which is supplied by association with the identifying name or get-up. Secondly, since it was in general not desirable or possible to consider whether there has been a misrepresentation separately from the effect on the minds of the public of the use of the mark or get-up adopted by the defendant, it was appropriate to take the first of Lord Diplock's elements ("misrepresentation") and the fourth element ("calculated to injure") together.

### 2.3.3 Does compliance with all the requirements imply that passing off is present?

The question arises whether all cases where the requirements set out in the above cases are present would amount to passing off. This question was answered in the negative in the important Erven Warnink decision<sup>57</sup> where Lord Diplock stated<sup>58</sup> that in formulating general propositions of English law, one must be particularly careful to

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51 Law of Trade Marks (2001) 415.

52 Note 49.

53 Note 34.

54 Page 93 line 26 - line 33.

55 [1996] RPC 697.

56 Page 711 line 21.

57 Note 34.

beware of “the logical fallacy of the undistributed middle.” In regard to this statement of Lord Diplock, it was said in SDS Biotech UK Limited v Power Agrichemicals Limited<sup>59</sup> that even if the plaintiffs were right in that they fall within the principles set out by their Lordships,<sup>60</sup> it did not mean that their complaint does not fall within the undistributed middle that Lord Diplock referred to.<sup>61</sup>

### 2.3.4 The decisive role of deception

The decisive role that one particular element, namely that of deception plays, was stressed in some cases. It has been stated by writers,<sup>62</sup> with reference to the decision of Jacob J in Hodgkinson and Corby Limited v Wards Mobility Services Limited<sup>63</sup> that to extend the ambit of the law of passing-off beyond the relevant type of deception could stifle competition. The writers refer to the views of Jacob J<sup>64</sup> which are to the effect that there is no tort of copying or the taking of a man’s market or customers; nor is the market or customers the claimant’s own; there is also no tort of making use of another’s goodwill as such, there is also no tort of competition.<sup>65</sup>

## 2.4 Use by foreign plaintiffs

Before considering the establishment of a reputation, it is necessary to briefly consider the approach of English law towards the aspect of goodwill. In particular, whether prior use in England is required? This issue is discussed with reference to a number of cases that are grouped according to the nature of the business activity involved.

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58 Page 93 line 35.

59 [1995] FSR 797.

60 See the Erven Warnink case (note 34).

61 Page 804.

62 Morcom et.al. The Modern Law of Trade Marks 243.

63 [1995] FSR 169.

64 Page 174.

65 The judge stated (page 175) that at the heart of passing off lies deception or its likelihood and deception of the ultimate consumer in particular. It was indicated that, over the years, passing off has developed from the classic case of the defendant selling his goods as and for those of the claimant to cover other kinds of deception, such as that the defendant’s goods are the same as those of the claimant when they are not, or that the defendant’s goods are the same as goods sold by a class of persons of which the claimant is a member when they are not. Never has the tort, in the opinion of the judge, showed even a slight tendency to stray beyond cases of deception. Were it to do so, it would enter the field of honest competition, declared unlawful for some reason other than deceptiveness. If this would happen, it would only serve to stifle competition.

The following statement of the court in the decision of Baskin-Robbins Ice Cream Co. v Gutman<sup>66</sup> perhaps encapsulates the correct approach to be followed in interpreting the decisions discussed below:<sup>67</sup>

“Some businesses are, however, to a greater or lesser extent truly international in character and the reputation and goodwill attaching to them cannot in fact help being international also. Some national boundaries such as, for example, those between members of the EEC are in this respect becoming ill-defined and uncertain as modern travel and Community rules make the world grow smaller. Whilst therefore not wishing to quarrel with the decisions in question, if they are read as I have suggested, I believe myself that the true legal position is best expressed by the general proposition, which seems to me to be derived from the general line of passed authority, that the existence and extent of the plaintiffs’ reputation and goodwill in every case is one of fact however it may be proved and whatever it is based on.”

#### 2.4.1 Fashion industry

The question whether it was necessary to have a business in the United Kingdom, in order to obtain protection, featured in Poiret v Jules Poiret Ltd.<sup>68</sup> A was a well known designer of women’s dresses conducting business in Paris. His products were exported to England. Three to four times a year he sent an assistant to England with dress models which he sold to English dressmaking firms. His products acquired a great reputation in England. He, inter alia, displayed his creations at the residence of the Prime Minister. This event engendered a lot of publicity in the English press. The court held<sup>69</sup> that at all relevant times A had a reputation in England in the name Poiret.

B also used the name Poiret in relation to a dress making business, and the court accepted<sup>70</sup> that he did so because he desired to acquire the benefit of the reputation

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66 [1980] FSR 343.

67 Page 547 (own emphasis).

68 [1920] RPC 177.

69 Page 184 line 49.

70 Page 186 line 33.

which the plaintiff had gained in the English market. The court ruled<sup>71</sup> that A was entitled to protect his goods and the reputation he has acquired in the country notwithstanding the fact that he does not have a place of business there.

The presence of customers in the country could be sufficient, according to Globe Elegance B.V. v Sarkissian.<sup>72</sup> A was a well known fashion designer conducting business in Rome. His fashion shows were attended by buyers from the United Kingdom. He presented collections in London and clothes made from his patterns were sold in London under his Valentino trade mark. A's activities were accorded publicity in various international magazines and his products were also sold within the United Kingdom.

B wished to establish a men's fashion business in London under the name Valentino. A applied for an interlocutory injunction to restrain B from passing off its business as that of A. The court considered<sup>73</sup> it relevant that there would be a number of English consumers that have been abroad and may have visited one or more Valentino boutiques, and they would include European and American visitors to England who also visited such boutiques. Members of the public will also include readers of newspaper and magazines to whom the name Valentino means a businessman who produces high class fashions which have been the subject of the articles. They may even include people who have some memories of the fashion shows done by A.<sup>74</sup>

The court accordingly ruled that there are a sufficient number of persons who might become purchasers of the products of B and who might be confused in assuming that there is some association between B and A when that is not the case. An injunction was then granted in favour of A.

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71 Page 187 line 38.

72 [1974] RPC 603.

73 Page 613 line 12.

74 Page 613 line 18.

## 2.4.2 Hotel industry

That protection could be available even if the business is carried on primarily abroad, appears from Sheraton Corporation of America v Sheraton Hotels Ltd.<sup>75</sup> In this matter A owned a chain of hotels in the United States and various other countries. He placed advertisements for these hotels in the United Kingdom and obtained reservations for them through an office maintained in the country. B concluded an agreement with a government department for the construction of a hotel at an airport. A received enquiries from traders that have been misled by the similarity of names into thinking that A is responsible for the airport hotel project. A applied for an interlocutory injunction to restrain B's passing off. It was accepted by the court that B's choice of its company name was self-evident, and that notwithstanding the fact that A's business was primarily carried on abroad, he nonetheless had a reputation in the United Kingdom which could be injured by confusion. Accordingly, an injunction was granted.

## 2.4.3 Entertainment industry

The importance of use in the country was emphasised in Alain Bernardin Et Compagnie v Pavilion Properties Limited.<sup>76</sup> A was the owner of a well-known nightclub in Paris, The Crazy Horse Saloon. Promotional material was circulated to hotel authorities and tourist organisations within Great Britain. Evidence was submitted of a number of British customers visiting the business of A as well as its considerable annual turnover. B established a business under the same name and put out advertisements stating, "Crazy Horse Saloon comes to London". The court referred to the earlier decision of Oertli AG v Bowman (London) Ltd.<sup>77</sup> where it was stated:<sup>78</sup>

"It is, of course, essential to the success of any claim in respect of passing-off, based on the use of a given mark or get-up, that the plaintiff should be able to show that the disputed mark or get-up has become by use in this country distinctive of the plaintiff's goods so that the use in relation to any goods of the

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75 [1964] RPC 202.

76 [1967] RPC 581.

77 [1957] RPC 388.

78 Page 397 line 10 – line 16 (own emphasis).

kind dealt in by the plaintiff of that mark or get-up will be understood by the trade and public in this country as meaning that the goods are the plaintiff's goods".

As discussed below, the court in the Alain Bernardin case<sup>79</sup> disagreed with the statement of Kerly in the 9<sup>th</sup> edition of his work, made in regard to the Oertli case.<sup>80</sup> In the former case the court said that the Oertli case<sup>81</sup> unequivocally requires user to be in the United Kingdom and then stated the following:<sup>82</sup>

"That it seems to me is what one would expect: that a trader cannot acquire goodwill in this country without some sort of user in this country. His user may take many forms and in certain cases very slight activities have been held to suffice. On the other hand, I do not think that the mere sending into this country by a foreign trader of advertisements advertising his establishment abroad could fairly be treated as user in this country. No authority to that effect has been cited. If that were so, the range of the action of passing off would be extended far beyond anything which has hitherto been treated as its proper scope. That observation applies I think particularly to such establishments as hotels and even more to restaurants. It may well be that the owner of a foreign hotel or restaurant acquires in this country a reputation for the name of his hotel or restaurant in the wide sense, that the travel agents or the other persons to whom he sends advertisements know of his establishment. Again he may acquire a reputation in a wide sense in the sense of returning travellers speaking highly of that establishment, but it seems to me that those matters, although they may represent reputation in some wide sense, fall far short of user in this country and are not sufficient to establish a reputation in the sense material for the purpose of a passing off action. It is very clear that in such circumstances a foreign trader has not acquired anything which in law could be described as goodwill in this country".

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79 Note 76.

80 Note 77.

81 Note 77.

82 Page 584 line 29–47 (own emphasis).

The court then<sup>83</sup> made reference to the view of Kerly that it is sufficient if a reputation exists in England, and that it did not matter whether the reputation was acquired by user there or in any other way. The court said that there must, however, be some kind of user in the country, as was the case in the Sheraton decision.<sup>84</sup>

The court concluded<sup>85</sup> that A has not shown a prima facie ground for an injunction as he did not prove any goodwill or reputation existing within the country.

#### **2.4.4 Liquor industry**

The importance of goodwill next to a reputation, was mentioned in Island Trading Company v Anchor Brewing Company.<sup>86</sup> A used the word “steam” in relation to its beer since July 1987. B, which was founded in 1896 in the United States, commenced use of the word steam in relation to imported beer in the United Kingdom in July 1988. He did have a reputation amongst beer connoisseurs in the United Kingdom and the product was referred to in a specialist beer guide. The court held,<sup>87</sup> with reference to the decision in Anheuser-Busch v Budjovicky Budvar NP,<sup>88</sup> that the basic question is whether there is a misrepresentation, and that a reputation, without goodwill, will not constitute a defence, unless the reputation is of such an extent as to counter the plaintiff’s claim that its mark distinguishes the goods.

#### **2.4.5 Groceries**

The fact that mere advertising would not be decisive, is evident from the decision in S. Chivers & Sons v S. Chivers & Co.<sup>89</sup> In deciding on a dispute between rival table jelly manufacturers, originally conducting business in different geographical areas, the court rejected<sup>90</sup> the proposition that advertising is sufficient to establish rights in other parts of the countries. It was said that advertising, distinguished from trade, is nothing.

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83 Page 587 line 41.

84 Note 75.

85 Page 588 line 1.

86 [1989] RPC 287.

87 Page 304 line 21.

88 [1984] FSR 413.

89 [1900] RPC 420.

## 2.4.6 Renting of equipment

In Metric Resources Corporation v Leasemetrix Ltd<sup>91</sup> it was accepted that previous case law does not establish that the owner of a business carried on outside his jurisdiction could establish no protectable goodwill prior to trading. A conducted business in the United States of America and Canada under the name of Leasametric. It rented out electronic equipment. The company advertised extensively, and advertised, amongst others, in eight trade journals with an international circulation. These journals had 14 000 subscribers in the United Kingdom.<sup>92</sup> A had no place of business in England but for some time it had been considering doing so and recently took some active steps towards achieving that objective. B was also engaged in the business of hiring out electronic equipment, and adopted the name Leasemetrix. B knew about A's name.

B adopted the approach that if a trader does not carry on business in England, then even if the name under which it trades is well-known there, and has acquired a considerable reputation, anyone is at liberty to set up a rival business under that trader's name in the country. The trader does not have to have a place of business there, but if he is to be entitled to protect his trading name there, he must carry on business there. This was said to follow from the fact that it is goodwill that is protected by an action of passing off. Goodwill is local in character and a separate goodwill exists for every country in which the business is carried on. Consequently, if no business is carried on in a country, no goodwill can exist in that country.<sup>93</sup>

The court referred to various relevant cases, including Star Industrial Co. Ltd v Yap Kwee Kor.<sup>94</sup> In the latter decision of the Privy Council, Lord Diplock said<sup>95</sup> that when business is abandoned in one country in which a goodwill has been acquired, the goodwill in that country perishes with it although the business may continue to be carried on in other countries.<sup>96</sup>

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90 Page 431 line 17.

91 [1979] FSR 571.

92 Page 573.

93 Page 575.

94 [1976] FSR 256.

95 Page 269.

96 Page 269 (own emphasis).

“Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it in each. So when the business is abandoned in one country in which it has acquired goodwill the goodwill in that country perishes with it although the business may continue to be carried on in other countries.”

This dictum emphasizes the territorial nature of goodwill, derived from doing business in a country. The court in the Metric case<sup>97</sup> said that the former decision does not establish that the owner of a business carried on outside his jurisdiction could establish no protectable goodwill within it before beginning to trade there.<sup>98</sup> The court also stated that it did not think that the Erven Warnink case<sup>99</sup> was such a decision, although a literal application of what was said in it, as is the case with the Star decision,<sup>100</sup> undoubtedly provides some support for such a proposition. The conclusion the court reached was that it was not satisfied that the law was so plainly against A that the claim for an interlocutory injunction was to be denied.

#### **2.4.7 Retail services**

In terms of the ruling in The Athletes Foot Marketing Associates Inc v. Cobra Sports Limited<sup>101</sup> it is not necessary for a business to actually carry on business in the country. A carried on business in the United States which consisted of the granting of franchises to independent stores to carry on the business of supplying footwear to athletes. They had a large number of franchised stores and an extensive reputation in the United States, and had taken steps to introduce franchises into the United Kingdom. No agreement had, however, been concluded and no sales had been made. Furthermore, no evidence was introduced that disclosed that sales had been made abroad to visitors from the United Kingdom. An injunction was sought to prevent B from carrying on business whilst utilising A's trade mark. In coming to its decision, the court indicated

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97 Note 91.

98 Page 579.

99 Note 34.

100 Note 94.

101 [1980] RPC 343.

that the main question to be answered is what connection with the country is required before a plaintiff can succeed in an action for passing-off.<sup>102</sup> In this regard the court distinguished between two schools of thought. In terms of the “hard line” school, it is maintained that it is essential for the plaintiff to have carried on trade in the country.

Another school of thought, which is less demanding, suggests that something less than that will suffice. The court aligned<sup>103</sup> itself with a statement in the Metric Resources decision,<sup>104</sup> which was to the effect that the final decision between the two schools of thought is a difficult matter requiring mature consideration and detailed argument, and is best not dealt with on motion. After a review of all the relevant decisions the court summarised the legal position<sup>105</sup> and said that it does not matter that the plaintiffs are not at present actually carrying on business in the country, provided that they have customers there. Relief was refused.

#### **2.4.8 Summary of discussion on protection of foreign plaintiffs**

It was pointed out in the Athletes Foot case<sup>106</sup> that it is not necessary that the trader must be “personally present in some shape or form in a particular country.”<sup>107</sup> On this basis several decisions can be explained, where the “main” business was located elsewhere, but trade was conducted in the country. In the Poiret<sup>108</sup> and Globe Elegance cases,<sup>109</sup> the goods concerned were, for example, available in England. So in these instances a goodwill, in the sense of sales being made in the country, did exist. In the Chivers<sup>110</sup> case they were not available in the particular region. However, sales in the country, but on a small scale, will not be of assistance, as per the Island Trading decision.<sup>111</sup>

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102 Page 349 line 33.

103 Page 349 line 41.

104 Note 91.

105 Page 357 line 20.

106 Note 101.

107 Page 355 line 17.

108 Note 68.

109 Note 72.

110 Note 89.

111 Note 86.

It is more difficult to reconcile the cases relating to services. Both the Crazy Horse<sup>112</sup> and Sheraton<sup>113</sup> decisions dealt with marks that were undoubtedly well-known in the country, and although it seemed a goodwill was absent, there was apparently no doubt that a reputation existed. However, only in the latter case, relief, albeit only by way of an interlocutory injunction, was granted. The basis for granting such relief was nonetheless described as “weak – some might have thought it extremely weak...” in the Athletes Foot case,<sup>114</sup> and it was suggested<sup>115</sup> that the ratio may have been the fact “that the name was chosen for the deliberate purpose of attracting the customers of the plaintiffs to the defendant’s hotel.” In the Metric decision<sup>116</sup> interlocutory relief was granted, but the court did point<sup>117</sup> to some formidable obstacles the plaintiff would face at trial, having regard to the local nature of services. The latter may be the key towards an understanding of the various decisions, in other words, that the nature of services and goods differ.

In conclusion, whilst the “hard line” approach is current in English law, it appears that the courts often do apply this principle with some reservation. Regard can be had to the following statement in the Crazy Horse case:<sup>118</sup>

“I conclude with considerable reluctance...that the plaintiff company has not shown a prima facie ground for an injunction...If I were able to hold that the plaintiff company had established a reputation in the relevant sense in this country, then I would have no hesitation in holding that the acts of the defendant company were calculated to cause deception or confusion and I would grant an injunction, but I do not think I am entitled to do so.”<sup>119</sup>

It is submitted that, in this regard, the time may be opportune for a change in the approach of English law towards this issue. There is in any event a discrepancy in this regard between the common law and statutory positions, in view of the provisions of section 56 of the Trade Marks Act 1994. This section provides protection for well-known

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112 Note 76.

113 Note 75.

114 Note 101.

115 Page 353 line 28.

116 Note 91.

117 Page 580.

118 Note 76.

marks as envisaged in the Paris Convention, whether or not the proprietor carries on business, or has any goodwill in the United Kingdom. The latter's impact, in the words of Cornish,<sup>120</sup> will be to override the "scruple requiring," for passing off, of a business base in the country.

## 2.5 Acquisition of rights

Various decisions dealt with the question as to when it can be said that a reputation and goodwill has been established which can be protected, and also whether actual trading is a requirement for protection. The relevant date for determining the existence of a reputation is the date on which the defendant commenced use.<sup>121</sup>

It is, perhaps, apt to refer to the following words of Lord Halsbury, in Reddaway v Banham,<sup>122</sup> before undertaking a discussion of the above:<sup>123</sup>

"The question of law is so constantly mixed up with the various questions of fact which arise on an inquiry of the character in which your Lordships have been engaged, that it is sometimes difficult when examining former decisions to disentangle what is decided as fact, and what is laid down as a principle of law."

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119 Page 588 line 1–14 (own emphasis).

120 Intellectual Property: Patents, Copyrights, Trade Marks and Allied Rights 629.

121 It is of value to have regard to the decision in J.C. Penney Company, Inc. v Penneys Ltd. [1975] FSR 367. A and B sold goods in various parts of the United Kingdom. B adopted the approach that upon an explanation of the facts in the case at the appropriate date, it appears that both A and B have acquired, as against each other, an equal right to use the relevant trade mark. In that sense, it was said that they both have a shared reputation and neither can sue the other. The court then considered the implications of the fact that A and B have previously adopted and are using the same name as at the date of the writ. This relates to the issue of what the proper date is at which the extent of the reputation of each of them must be tested, in order to decide whether A is entitled to stop B or whether he must be allowed to continue. The court mentioned (page 373) that there are a number of possibilities. It could be either the date of the writ, the date when A first learned of B's activities in the country, or the date on which A, if it did so, made it clear to B that he would be liable to have action taken against him if he started operations in the country, or the date when B actually started operations. The court held (page 374) that the respective reputations must be judged as of the date that B first started to use the name in question.

122 Note 5.

123 Page 224 line 27–31.

### 2.5.1 Reputation created by press releases

In the following two decisions the issue was whether protection could be granted to entities that were new, and which had a reputation created, in a sense, only by way of press releases.

In the case of Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd<sup>124</sup> news of the incorporation of A under the name of Fletcher Challenge, which was formed through the merger of three New Zealand companies, was announced to the Stock Exchange of New Zealand on the 22<sup>nd</sup> of October 1980. On the next day, the 23<sup>rd</sup> of October 1980, the news appeared in a number of newspapers and financial journals. On the same day, B reserved the company name Fletcher Challenge. A lodged passing off proceedings. The defence of B was in essence that there has been no misrepresentation on its part. The central question that the court had to answer, and that was raised by the defence, was whether A had a sufficient reputation within the particular state of Australia.<sup>125</sup> B denied that this existed, either at all or at what was submitted to be the relevant dates, the date of reservation of the name or the date of incorporation. This flowed from the facts, firstly, that at the date of the reservation of the name A did not exist, and secondly, that not only did A not carry on business in the state at either of the relevant dates, but it still does not carry on business in the particular state.

In relation to the first of these facts, the court found that it is not illegitimate for A to be treated as being entitled to the combined goodwill of all three companies and that, in effect, the announcement of the proposed amalgamation created a new reputation which preceded, albeit by only a few hours, the lodgment of the application for a reservation of the company name. In relation to the second fact, the court stated<sup>126</sup> that the relevant question is whether A has the necessary reputation and not whether it carries on business in the particular state. The court stated<sup>127</sup> that it was satisfied that on the evidence tendered, it appeared that if B had to commence trading, it is probable that it would in the minds of people in the finance industries be associated with, or be

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124 [1981] FSR 1.

125 Page 11.

126 Page 12.

127 Page 13.

treated as a part of the Fletcher Challenge Group, a situation which if it arose, could well affect the reputation of A. The court accordingly ruled in favour of A.

Wadlow<sup>128</sup> considers this reasoning to be “doubtful,” as the plaintiff company was not in existence at the relevant time. In his view the best justification for the ruling is to regard the plaintiff as the de facto successors to the goodwill of the three predecessor companies and their accrued rights of action.

A similar approach was followed in the decision in Glaxo Plc v Glaxowellcome Limited.<sup>129</sup> Here A issued a press release on the 23<sup>rd</sup> of January 1995, announcing a take-over bid which, if successful, would form a new entity, namely Glaxo–Wellcome Plc. On the 24<sup>th</sup> of January 1995 B filed an application to register the company name Glaxowellcome Limited. There was a statutory procedure in terms of the Companies Act enabling the Registrar of Companies to require names to be changed, but the court held that the party who is prejudiced by a company name registration is not obliged to follow this procedure. It was said<sup>130</sup> that in actions for passing off in similar scenarios, the courts have granted relief requiring the registered name of a company to be changed, irrespective of whether the registered company has traded or not.

In both these decisions protection was thus given although the entities, eo nomine, had not yet commenced trading.

## 2.5.2 Promotional activities prior to trading

The placing of advertisements was considered not to provide rights in Maxwell v Hogg.<sup>131</sup> In this matter A registered, in 1863, an intended magazine. The magazine was not published. In 1866 B, unaware of A's actions, prepared a magazine with the same name as A and incurred considerable expense in preparing it, and extensively advertised it in August and September. It was to appear in October. When this fact came to A's attention, he made hasty preparations for bringing out his own magazine before that of B could appear and in the interim also accepted an order from B for

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128 The Law of Passing Off 72.

129 [1996] FSR 388.

130 Page 391.

131 (1867) L.R. 2 Ch 307.

advertising his magazine on the covers of his own publication. The first time that A informed B that he objected to his publishing a magazine under the same name was on the 25<sup>th</sup> of September, the day on which the first number of A's magazine appeared. B's magazine appeared in October. The court held that B's advertisements and expenditure did not give him the exclusive right to the use of the name and that he could not restrain A from publishing a magazine under the same name, the first number of which appeared before B had published his.

A different approach was followed in W.H. Allen & Co. v Brown Watson Limited.<sup>132</sup> A obtained a license to publish a complete edition of a work called "My Life and Loves" by Frank Harris. At the time that the book was written, it could not be published in its entirety in view of its frank account of the author's amorous adventures. A obtained the right to publish the book in an unexpurgated format and promoted the book through advertisements and press notices. Ten thousand copies of the book were printed and pre-publication reviews appeared. B obtained the right to publish an expurgated version and decided to publish it under the same title. Advertisements to this effect were placed. At the stage that the first advertisement was published, the book was not yet published,<sup>133</sup> but at the stage that the motion for an interlocutory injunction was heard, A's book had been published. The court ruled<sup>134</sup> that A had acquired a distinctive reputation in the book's title.

The ruling, which is often relied on, has facts that are not altogether clear. However, it would appear that the principle in this case is that the prior advertisements could suffice for protection. Actual sales of the book were thus not a sine qua non.

The impact of extensive public exposure was considered to be relevant, although the product was not yet on the market, in The British Broadcasting Corporation v Talbot Motor Corporation.<sup>135</sup> The BBC experimented with a traffic information system capable of being received in a vehicle. The system was named Carfax. The defendants wished to use the mark in relation to a vehicle spare parts service. The BBC's system was not

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132 [1965] RPC 191.

133 This interpretation of the facts is that of Wadlow The Law of Passing Off 69.

134 Page 194 line 12.

135 [1981] FSR 228.

in operation yet. The court, however, ruled in favour of the BBC, and stated<sup>136</sup> that the BBC has nonetheless established a goodwill which it was entitled to protect. The evidence, inter alia, indicated that the mark was featured on a television programme seen by 3 million people.

The court in My Kinda Bones Ltd v Dr. Peppers Stove Co. Ltd<sup>137</sup> set out a number of perspectives that can be followed in relation to the issue under discussion. In this matter A and B both intended to use names in relation to restaurants specialising in spare ribs which would include the words Rib Shack. Neither restaurant had been opened. A, however, claimed that by virtue of his vast publicity he had acquired a goodwill and reputation in relation to his planned restaurant. The steps taken by him included the following.<sup>138</sup> He devised a menu, selected premises and concluded a lease, finalised arrangements for the employment of personnel, the design of décor, uniforms, etc. He also caused considerable publicity to appear in the media, made the fact that he was going to open a restaurant known amongst existing customers of his, and also served spare ribs at that restaurant.

The court set out<sup>139</sup> the requirements which it considers would be relevant in a case such as that under consideration. The basic principle is that a substantial number of customers or potential customers must at least have had the opportunity to assess the merits of those goods or services for themselves. Furthermore, at least some entry on the market by the particular goods or services under the particular relevant name was ordinarily necessary. Although the court ruled in favour of A, its judgment should be seen in context.<sup>140</sup>

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136 Page 233.

137 [1984] FSR 289.

138 Page 294–295.

139 Page 299.

140 In argument, A submitted that a plaintiff may establish the existence of goodwill sufficient to found a passing off action if he can establish that (a) definite and substantial preparations have been made with a view to putting goods or intended services before the public under some suitable name or mark; and (b) a substantial number of persons know of and desire to acquire, when available, those goods or services under that name or mark. The court then dealt with the second contention in the light of previous decisions. In the court's view, the only authority cited in the Talbot case (note 135) in support of the view that the BBC had built up a goodwill in its Carfax scheme which would entitle it to protection even before the scheme had been launched, was the Allen decision (note 132). The court stated that it is arguable in the present case that the Allen decision does not provide direct authority for the stated submission as the plaintiff's book in that case had already been placed on the market. Although no other authority had been cited to the court which directly supported the submission, it nevertheless stated that it was prepared, if only in the light of the Talbot decision, to

Wadlow's<sup>141</sup> view is that advertising directed at a specific market in actual preparation for trading should be considered to generate sufficient goodwill for a passing off action. He refers to Terrapin v Ariston Buildings<sup>142</sup> where advertisements were considered in a similar light as goods actually sold and bought. As stated, the approach followed in the My Kinda Bones case<sup>143</sup> was that consumers can only evaluate goods if they are actually on the market. This view is criticised by Wadlow<sup>144</sup> as being too narrow, and he states the following in this regard:

“If there is a demand for the plaintiff's goods it ought not to matter whether it has arisen from their inherent qualities, their cheapness, the dictates of fashion, advertising, press comment, personal recommendation, or for no good reason at all. Provided the plaintiff is actually on the market, it has never been suggested that he has to prove why the public buys his goods. A drink such as *Advocaat* is probably bought mainly by people who have drunk it before; but a book may be bought on the strength of reviews, and few will buy a second copy however much they liked it.”

Wadlow thus seems to consider the existence of a demand for products to be decisive. However, he mentions that the plaintiff must actually be on the market, which seems to contradict his earlier view. When will the plaintiff be considered to be on the market? Presumably he wishes to convey that the plaintiff must at least have some sort of commercial concern that will enable him to meet the demand, created in whatever fashion.

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accept the proposition made by A. Accordingly, it was found that it was arguable that A had goodwill already attached to the name of A's restaurant which A was entitled to protect under the law of passing off, although A has not already opened its restaurant. Although the court found in favour of A, it did mention that there are many hurdles which A would have to surmount if it is to succeed at the trial.

141 Law of Passing Off 67.

142 [1964] FSR 218.

143 Note 137.

144 The Law of Passing Off 68 (own emphasis).

### 2.5.3 Sabotage marketing

Sabotage marketing, in the sense of the pre-emption of a marketing campaign, featured in Alida Gibbs Limited v Colgate Palmolive Limited.<sup>145</sup> Here A decided in March 1982 to launch a marketing campaign for a new toothpaste, Mentadent, which would be based on a tree theme. A made presentations to the trade in August 1982, and in September it was introduced to the press, professional bodies, and government departments. The public and in particular the television campaign, was to start on Monday, the 18<sup>th</sup> of October. B became aware of A's intended public marketing campaign to be launched on the latter date, and on Sunday the 17<sup>th</sup> of October it placed an advertisement featuring a tree theme in a national Sunday newspaper, and the next day in two national newspapers, in an attempt to pre-empt A's campaign and to assert their entitlement to the theme in question. On Monday the 18<sup>th</sup> of October A placed his advertisement in national newspapers. B adopted the approach that on the 17<sup>th</sup> and the morning of the 18<sup>th</sup> of October, A had no reputation amongst the general public to the tree theme and could not positively have acquired it because its television programme did not begin to show until some later time on the 18<sup>th</sup>. The court ruled in favour of A, and stated<sup>146</sup> that B had no motive of promoting a present trade of its own in the United Kingdom, but only that of defeating the plaintiff's campaign for some possible future utility to the defendant.

The court added that it did not believe that the fact that the advertisements of B were put in on the 17<sup>th</sup> instead of, say, a week later, can in the circumstances be fatal to A's application which otherwise seems to be well founded. Although the court stated that the field was open to whoever gets in first, its actual ruling did give preference to A's prior marketing activities.

### 2.5.4 Short periods of trading

The case of Stannard v Reay<sup>147</sup> establishes that rights can be built up even in a very short period. A commenced business with a mobile fish and chip van under the trade mark Mr Chippie in October 1966 on the Isle of Wight. B commenced a similar business

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145 [1983] FSR 95.

146 Page 100.

147 [1967] RPC 589.

in November 1966. Although A had only been trading for about three weeks, there was evidence of a substantial decrease in A's business. The court held<sup>148</sup> that it was not impossible for goodwill in a new kind of business to be built up in such a short period of time, and ruled in favour of A.

### 2.5.5 Use of descriptive marks

The protection of marks of a descriptive nature is a vexed issue. It is, of course, in principle, possible to obtain protection for marks of a descriptive nature, and in given circumstances the duration of use may be a factor. In the celebrated decision of Reddaway v Banham<sup>149</sup> the name "Camel-hair belting" was used, for approximately 17 years, in relation to belting made mainly of camel hair. In granting relief, the court stated:<sup>150</sup>

"The name of a person, or words forming part of the common stock of language, may become so far associated with the goods of a particular maker that it is capable of proof that the use of them by themselves, without explanation or qualification by another manufacturer, would deceive a purchaser into the belief that he was getting the goods of A, when he was really getting the goods of B."

The approach that rights to a descriptive term would not be granted easily, appears from McCain International Limited v Country Fair Foods Ltd.<sup>151</sup> In this matter A introduced into the United Kingdom market, in the beginning of 1979, a novel product, namely chips that could be cooked in the oven or baked under the grill and sold same under the name McCain Oven chips. In April 1980, B sought to introduce their version of the product under the names Country Fair Oven chips and Bird's Eye Oven chips. At a passing off hearing, B contended that the name "oven chips" was descriptive of the product, that it had not subsequently acquired distinctiveness and that where a descriptive name had been applied to a product by the sole supplier of that product, that name could not easily acquire distinctiveness. A, however, argued that oven chips was not descriptive but was a fancy name. The court ruled in favour of B, inter alia on the basis that while a

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148 Page 592 line 34.

149 Note 5.

150 Page 228 line 37–41.

151 [1981] RPC 69.

descriptive term may acquire a secondary meaning, the period in the present case was far too short for such a secondary meaning to have been acquired, specifically in view of the fact that A constantly referred to their product as “McCain Oven Chips.”<sup>152</sup>

The difficulty of obtaining rights in a descriptive term is illustrated further by the decision in Marcus Publishing Plc v Hutton-Wild Communications Ltd.<sup>153</sup> In September 1988 A had decided to launch a new magazine under the name Leisure Week. They made no public announcement about this decision. Early in 1989, B also decided to launch a weekly leisure magazine under the name Leisure Week. No public announcement was made either. In May 1989, again unannounced, A decided to issue a weekly leisure newsletter and then in June announced the intention to launch Leisure Week in September. B then decided to bring forward the launch date for their magazine to September and to change its name to Leisure News. B then canvassed likely interested parties but made no reference to the title of the magazine. A then decided to bring forward the launch of Leisure Week and to publish a second weekly. Early in August, B canvassed potential advertisers and told them that the magazine’s name would be Leisure News. On the 11<sup>th</sup> of August, A issued a press release announcing a new weekly newsletter journal called Leisure News. On the 14<sup>th</sup> of August B revealed to journalists that the magazine was also to be called Leisure News. On the 21<sup>st</sup> of August B made the first sale of advertising space in their journal. On the 22<sup>nd</sup> of August A issued a pilot issue of the magazine which contained articles already published in other magazines. On the 24<sup>th</sup> of August, B issued a sales brochure in respect of their Leisure News, including a pilot version of the front page of the Leisure News.

The court first stated the general principles applicable. These are that the plaintiff must establish that the magazine’s name has become distinctive of its goods and to such an extent that the use thereof by the defendant would amount to a misrepresentation that the goods of the defendant are that of the plaintiff. The court stated that this presented a particular difficulty in the case as the words Leisure News are merely descriptive words in the English language and simply describes the nature of the publication. Whilst it was possible that descriptive words can acquire, through use, a special meaning, it is well established that it is not at all easy to establish goodwill in a name which merely

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152 Page 80 line 39-42.

153 [1990] RPC 576.

consists of descriptive words. The court particularly pointed out that the law is reluctant to allow ordinary descriptive words in the English language to become fenced off so as to become the private preserve of one particular publisher.

It was then found that in the present case all that B had done in relation to the name, before the case had begun, was to advertise and make it known that they were going to issue a magazine without indicating the name, to approach a number of possible advertisers, mentioning the name, and to effect the first sale of advertising space. A, in relation to their Leisure News, had done virtually no more. The court said<sup>154</sup> that even if pre-publication activity could confer goodwill, what little either party had done is far too insignificant to qualify them to establish goodwill in a name consisting of ordinary words in the English language. After considering the facts of the matter, the court found<sup>155</sup> that it would be relatively easy, with the type of publication concerned, to adopt a new name and that there are many more from which a name can be chosen. Furthermore, as neither magazine had been issued, there cannot be much damage caused to either party. The court accordingly refused to grant an interlocutory injunction. Both parties were thus entitled to use the mark. This case seems to be based on the combination of facts that the mark involved was descriptive and, in any event, that insufficient commercial activities had been undertaken.

Wadlow<sup>156</sup> makes reference to the fact that neither publication had been launched or even advertised to the public, and states that in the circumstances the name Leisure News cannot have become distinctive of either. The better explanation for the ruling is probably that the descriptive nature of the title did not lend itself to protection, as protection for (mere) promotional activities have on occasion been granted by the courts, notably in the Elida Gibbs decision.<sup>157</sup> This explanation would be in line with decisions such as that in Burberrys v J.C. Cording & Co. Ltd.<sup>158</sup> There the term “Slip-on” for overcoats was at issue. The plaintiff had extensively advertised their product,

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154 Page 583 line 40.

155 Page 584 line 20.

156 The Law of Passing Off 359.

157 Note 145.

158 Note 7.

seen to be in use as a noun and an adjective denoting garments which easily slipped on and off. In refusing relief, the court stated:<sup>159</sup>

“It is only rarely that an English word primarily descriptive and which has become the name of a particular article of commerce, can be so distinctive of the goods of a particular manufacturer that the Court will restrain its use as calculated to deceive where there has been no actual deception and no intention to take any fraudulent advantage of another by using the word.”

That descriptiveness can be determined having regard to the particular industry, appears, firstly, from County Sound plc v Ocean Sound Ltd.<sup>160</sup> In June 1988 A commenced broadcasts of a programme under the name “Golden Oldies” that featured popular hits from the 1950s to 1970s under the name “The Gold AM.” On the 4<sup>th</sup> of December 1988, B commenced broadcasts under the title “The Gold AM.” The court held<sup>161</sup> that it was possible that if the name which A had given to the programme had been truly distinctive, the period of six months would in the conditions of modern radio transmission have been sufficient to give them a goodwill in that name. However, the name, “The Gold AM,” is not distinctive, either in separate components or as a whole. It was found to be descriptive of the programme which A transmit. In particular, A accepted that the letters, “AM” is descriptive of a particular radio frequency. As far as the word “Gold” was concerned, the judge indicated that this is a word which have become descriptive of popular hits of the earlier decades. The court pointed out<sup>162</sup> that a name which is purely descriptive of goods or services, being no more distinctive of those of one trader than those of any other, will not usually have the effect of bringing in custom. Yet it was not impossible for such a name to become the subject of a goodwill, as it may through usage become distinctive of the goods or service.

It was also considered relevant<sup>163</sup> that there was not exclusive use of the phrase “The Gold AM” as it was accompanied most of the time by the words “County Sound.” In view of all the relevant considerations, the court ruled in favour of B.

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159 Page 709 line 36–41 (own emphasis).

160 [1991] FSR 367.

161 Page 373.

162 Page 373.

163 Page 379.

The second case that illustrates the relevance of the particular type of business concerned, is Compatibility Research Limited v Computer Psyche Company (Pty) Ltd.<sup>164</sup> Here A commenced the distribution of a brochure dealing with the introduction of possible partners by means of a computer. The distribution of these brochures commenced on the 8<sup>th</sup> of October and B commenced distribution of his brochures on the 4<sup>th</sup> of November of the same year. Both parties used the traditional male and female symbols on the outside of their brochures. A, however, claimed that these symbols have during the period of the 8<sup>th</sup> of October, when they commenced business, and on the 10<sup>th</sup> of November when B's brochures first came to their notice, become identified in the minds of a substantial number of the members of the public with A's business. By way of evidence, A indicated that it distributed in excess of 50 000 brochures containing more than 100 000 answer sheets amongst young people in London and throughout South East England.

It was also distributed over a period commencing on or about the 8<sup>th</sup> of October and ending on or about the 31<sup>st</sup> of October. It was distributed by a large number of agents and helpers who left piles in college common rooms and society lounges, personally distributed them in the halls of residences and colleges and handed them out to individuals at dances, parties, social events and at the London underground stations. A also indicated that it has undertaken extensive advertising in a large number of newspapers.

In refusing relief, the court stated<sup>165</sup> that the trader who sets up a new trade has no monopoly on that trade or on the manner of carrying it on and that it cannot prevent a rival trader copying his ideas, notwithstanding that confusion will be caused. It was also said that the evidence failed to draw the necessary distinction between what cannot be prevented, namely competition, and what can be restrained, namely passing off by the use by the defendant of a name, mark, sign or get-up which has become distinctive of the plaintiff's trade of selling introductions in the sense that, by the use in relation to introductions, the introductions are regarded by a substantial number of persons of the public as introductions coming from A.

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164 [1967] RPC 201.

165 Page 206 line 30.

### 2.5.6 The senior user as the apparent infringer

Some decisions highlighted the situation where the plaintiff first used a particular mark, but, because of the scale of use of the defendant, the plaintiff's use can be taken to be a passing off of his goods as that of the latter. In Stacey v 2020 Communications plc<sup>166</sup> A traded as 20/20 Telecom since July 1988. B commenced trading as 2020 Communications in February 1989. Although the court did not grant an injunction but referred the matter to trial, it did indicate<sup>167</sup> that the names are plainly similar and capable of giving rise to confusion. The court then indicated that this could be due to the speed with which B had established its business.

In relation to the above decision, it bears repeating that the general principle that should be applied is whether A had a sufficient reputation at the stage that B commenced use. The question is not whether, in view of B's extensive subsequent use, members of the public will assume A's business is related to that of B.

### 2.5.7 Summary of discussion on acquisition of rights

In the case of the establishment of new entities, the new entity, as such, does, of course, not yet have a reputation. In the Glaxo case<sup>168</sup> the plaintiff had not yet conducted trade under the "new" name of its businesses. However, it consisted of previously existing entities that were very well-known. This consideration could thus form an implicit foundation for the finding of the court, although no direct reference was made thereto. From a reading of the case the court seems rather to have been influenced by the extortion of B, who demanded 100 000 pounds for the transfer of the company name concerned. In the Fletcher case<sup>169</sup> it was held that the few hours that had elapsed between the announcement of the merger and the reservation of the name was sufficient time to create a reputation.

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166 [1991] FSR 49.

167 Page 52.

168 Note 129.

169 Note 124.

The relevance of advertising prior to actual trading featured in Maxwell v Hogg.<sup>170</sup> Here the plaintiff advertised his new magazine, but was pre-empted by the defendant. The court adopted the view that the mere fact of expenditure does not create an exclusive right. In particular, as far as advertisements are concerned, it was said that they are nothing more than announcements of an intention to place a product on the market. The motive of the defendant, to pre-empt the plaintiff's entry onto the market, was not considered to be decisive. In contrast, in the Elida Gibbs case,<sup>171</sup> the court made direct reference to the motive of the defendant to "defeat" the plaintiff's campaign.

In the Allen decision<sup>172</sup> considerable publicity prior to the publication of a book was held to be sufficient to grant protection to the publisher of a book. Clear evidence of an established reputation was also held to be sufficient to obtain relief in the Talbot case,<sup>173</sup> although the BBC had not actually begun to market their product. However, in My Kinda Bones<sup>174</sup> the approach was adopted that goods can only be judged if they are actually on the market.

Use for a short period may, however, also suffice. In the Stannard case<sup>175</sup> protection was granted to Mr. Chippy for fish and chips products. The particular name was, arguably, a descriptive term and, moreover, only in use for three weeks. The approach of the court is clear from the following statement:<sup>176</sup>

"But those figures do suggest to me that the plaintiff's business was one which met with prompt and fairly substantial success, and in those circumstances I think the evidence does prima facie indicate that they rapidly built up a connection with the public, and the probability seems to me to be that the name Mr. CHIPPY would have formed an element in the familiarity of the public with the plaintiff's business and that there is prima facie a likelihood that the name Mr. CHIPPY would have achieved at least a degree of distinctiveness in relation to the plaintiff's business."

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170 Note 131.

171 Note 145.

172 Note 132.

173 Note 135.

174 Note 137.

175 Note 147.

176 Page 593 line 1–8 (own emphasis).

This ruling can be contrasted with that in the County Sound case,<sup>177</sup> where trading for a period of six months was not sufficient to obtain a reputation, in particular having regard to the fact that “Gold” described the type of music played, and that the letters “AM” represented the way in which transmissions were made.

In the Comptability Research decision,<sup>178</sup> a relatively extensive promotional campaign was not sufficient to provide rights in relation to a symbol depicting the sexes, used for a business consisting of the introduction of partners. The facts of the Marcus Publishing case<sup>179</sup> in essence relates to a number of public announcements, sales brochures and the publication of pilot issues. This was held not to provide either party with rights.

In conclusion, the position appears to be that promotional activities conducted prior to the actual placing of products on the market could suffice for purposes of a passing off action. Relevant factors, in particular, would be the duration of use and the nature of the mark concerned.

## **2.6. Geographical dimension**

A particular problem of concurrent use features in the case where a mark is used in different geographical areas.

### **2.6.1 The presence of a reputation in the disputed area**

That protection will not necessarily be limited to the actual area of use, appears from Brestian v Try.<sup>180</sup> A conducted business as a ladies’ hairdresser under the name Charles of London, in London, Wembley and Brighton. B carried on business in Tunbridge Wells. A commenced use in 1952, and B adopted the name honestly and in ignorance of A’s use in 1955. Evidence was introduced to the effect that persons thought that B’s business was associated with that of A. B argued<sup>181</sup> that it was necessary for A to prove the existence of a reputation in Tunbridge Wells. The court

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177 Note 160.

178 Note 164.

179 Note 153.

180 [1958] RPC 161.

181 Page 173 line 11.

observed<sup>182</sup> that B's case turned on the approach that the prospect of any person knowing of A's establishment and coming in contact with B's establishment and mistaking it for A's was so remote that it had to be disregarded. The court stated in this regard that:<sup>183</sup>

“But the matter cannot be decided by mere allocation of goodwill by areas. The question in cases of this sort must surely be whether, given the proprietary interest in the goodwill attached to a name, that name is being used by an interloper in circumstances in which such use is calculated to cause confusion or deception. Distance may no doubt in some cases reduce and sometimes even remove the likelihood of confusion or deception, but that must be a question of fact depending on the circumstances of the particular case. If the present case is to be judged by reference simply to the Plaintiff's Brighton branch – and I think that having regard to the Plaintiff's general reputation in the trade this is too narrow a view – nevertheless the Plaintiff must, in my judgment, be regarded as having made out a sufficient possibility of confusion to entitle him to succeed in his action. Brighton and Tunbridge Wells are only some 30 miles apart and ladies living between the two places might well go to either for the purpose of having their hair attended to.”

The court accepted that there may be a decreased likelihood of confusion if there is a sufficient distance between the geographical areas where business is being conducted. In this case, however, the reputation of A did spread to and was present in the particular area.

## **2.6.2 Limitations on future expansion**

The protection of a goodwill even beyond the actual area of operations, was also recognized in principle in D.C. Thomson & Co. Limited v Kent Messenger Limited and South Eastern Newspapers Limited.<sup>184</sup> A, the proprietors of a newspaper sold primarily in Scotland and the north of England, and to a limited extent in the south of England,

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182 Page 170 line 23.

183 Page 170 line 32 – 44 (own emphasis).

184 [1975] RPC 191.

under the name The Sunday Post, sought an interlocutory injunction against B, who wished to publish a newspaper called “The South East Sunday Post” in Kent and the neighbouring parts of South East England. A contended that their publication had increasing sales in the area to be circulated by B, that B’s publication would become known as The Sunday Post, that in the south east of England A’s paper sold on recommendation passed on by word-of-mouth, and that confusion would result in future potential sales that would be lost. B denied that confusion was likely. The court said<sup>185</sup> that at the heart of A’s complaint was the allegation relating to its probable loss of potential purchasers who were not familiar with both papers, but were recommended to purchase A’s newspaper The Sunday Post. Strong reliance was placed in this regard on the case of Hiltons Press Ltd v White Eagle Youth Holiday Camp Ltd.<sup>186</sup>

The court interpreted that decision as follows:<sup>187</sup>

“In that case, the proprietor of a boys’ weekly paper called “Eagle” ran a club in connection with the paper; they encouraged camping, and were considering providing holiday camps for boys under the name “Camp Eagle”. The defendants proposed to run a holiday camp under this name “White Eagle Youth Holiday Camp”, and on the facts of the case the plaintiffs were held to be entitled to an interlocutory injunction to restrain the defendants from carrying on such a camp under this name. The subject-matter of that case was, of course, entirely different, but its importance lies in the recognition that an active proposal by the defendants may in a proper case be enjoined at the suit of plaintiffs who are merely considering carrying on a rival venture, so that to this extent the court may protect mere future possibilities.”

In the matter under consideration, the court, however, held<sup>188</sup> that the evidence as to increasing sales in B’s area was not satisfactory. Accordingly, the court ruled in favour of B.

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185 Page 197 line 28.

186 [1951] RPC 126.

187 Page 197 line 39 – line 49 (own emphasis).

188 Page 201 line 10.

On the facts of the matter, the plaintiff could thus not establish that it would lose potential customers, in contrast with current customers that it actually has. The court, however, seemed prepared to grant protection for a venture that was merely a possibility, and not yet concrete.

### 2.6.3 Localised goodwill as the basis of nationwide protection

A rather drastic application of the above principle of wider protection occurred in Chelsea Man Menswear Limited v Chelsea Girl Limited.<sup>189</sup> A had been involved in the menswear trade for a number of years under the name Chelsea Man. They had shops in Coventry, Leicester and London. B had a chain of shops retailing ladieswear throughout the United Kingdom, operating under the name Chelsea Girl, and wanted to use the name Chelsea Man. Insofar as the geographical dimension of the relief to be granted to A was concerned, the court accepted<sup>190</sup> that, as a minimum, A had established a clear reputation and goodwill in Coventry, Leicester and a particular area of London. In B's view, if A were to claim a nationwide injunction, they had to establish a nationwide goodwill.<sup>191</sup> Accordingly, B submitted that the injunction should be restricted to the particular areas concerned. The legal bases advanced for such a limitation are the following.<sup>192</sup> Firstly, insofar as B used the name Chelsea Man outside the specific areas, they would be committing no tort. As A had no reputation outside those areas the confusion likely to arise would at most be minimal. Secondly, in the exercise of its discretion, the court should not grant any injunction outside those areas because such relief was wider than that which was necessary to protect A's localised goodwill.

Interestingly, B admitted<sup>193</sup> that the natural expansion of A's business could nevertheless lead to increasing clashes and confusion. However, this situation, it was submitted, should be dealt with if and when it arose. B also submitted<sup>194</sup> that the fact that Chelsea Man is the obvious male counterpart to Chelsea Girl would reduce the risk of a men's clothing business being confused with the business of A.

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189 [1987] RPC 189.

190 Page 197 line 44.

191 Page 198 line 13.

192 Page 199 line 8.

193 Page 200 line 31.

The court stated<sup>195</sup> that the situation may indeed exist in which there is a dual reputation attaching to a name or mark and where neither party can claim that such representation was improperly achieved or that the other party made a misrepresentation. What would amount to a misrepresentation by a trader in one area would not necessarily amount to a misrepresentation in another area.

The court considered<sup>196</sup> it relevant that the defendant intended to open a chain of retail shops selling menswear under the name Chelsea Man, not only in isolated parts, but all over the country. However, A only requested relief in relation to England and Wales. It was submitted that the injunction should run throughout these areas and the reasonable protection of A does not permit it to be circumscribed geographically within those limits.<sup>197</sup> The court stated<sup>198</sup> that it would be justified in circumscribing the ambit of the injunction to narrower limits than England or Wales only if it was satisfied that the use by B of the name Chelsea Man outside those limits in connection with the business, would not be likely to substantially injure A's goodwill. The court indicated that it was not satisfied that this was the case.

It was said to be possible and, perhaps, probable that B, with large resources and a large chain of existing shops, could soon be using the name Chelsea Man in towns closer to the borders of some or all of those areas. The court accepted that use of its mark by B even outside such areas would be likely to cause substantial confusion. B argued that confusion would not be likely if sales were made in more distant parts of the country, where A did not have an established reputation, and in those areas no misrepresentation would be made and no tort would be committed.<sup>199</sup> The court accepted, however, that a plaintiff who has established a cause of action for passing-off can obtain relief by way of injunction extending beyond the boundaries of the particular areas in which he has proved the existence of his reputation and goodwill.

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194 Page 200 line 45.

195 Page 200 line 36.

196 Page 201 line 31.

197 Page 202 line 5.

198 Page 202 line 20.

199 Page 203 line 8.

Of particular relevance to the court<sup>200</sup> was the fact that it was common for people to move about all parts of the country and that they can thus encounter goods labeled with B's trade mark. The consumers could thus assume that these goods emanate from the business of A. The appeal against the ruling of the court a quo, which granted an injunction unrestricted in its geographical application was thus rejected.

This decision again indicates that a party could obtain protection beyond the actual area in which trade is conducted. The central issue remains the likelihood of confusion, and it is thus not the geographical area within which the outlets of a trader are situated that would in itself be decisive.

#### **2.6.4 The possibility of a stalemate**

The decision in Evans v Eradicure Ltd<sup>201</sup> illustrates the practical difficulties that can be involved in the demarcation of areas of protection. Here A established his business in the East Kent area. B established its business in the Welling and Bexley Heath areas. Each chose virtually identical names honestly and independently from each other and for a number of years no conflict occurred between the parties as they operated in different areas. As their businesses expanded, A grew westwards and B grew eastwards with the result that a conflict arose. A commenced use of his name prior to that of B. The court, however, stressed that this is not decisive because a passing off action depends on the plaintiff having acquired a reputation with respect to the name he seeks to protect.<sup>202</sup>

In coming to its decision, the court stated the following.<sup>203</sup>

“This is apparently a problem which has not previously been decided by the courts or indeed, as far as the industry of counsel at this stage goes, averted to in any of the cases. I do not think it is a correct approach to say that the plaintiff is suing on an age-old form of action and the defendants are maintaining a novel defence. It is a novel problem where the plaintiff acquires a reputation in a

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200 Page 204 line 35.

201 [1972] RPC 808.

202 Page 809 line 17.

203 Page 810 line 19 (own emphasis).

limited area and at the same time another person is acquiring a like reputation in a nearby area, whether when they come to clash the plaintiff in those circumstances has any remedy against the defendant at all. It may be that he has, although logically it would seem, if the plaintiff is right, that the defendant would then be restrained altogether, and yet that would hardly appear to be a correct conclusion and certainly is not what the plaintiff seeks by way of interlocutory relief. It may well be that the answer is in such circumstances that there is a stalemate, and, unless the parties can resolve the matter by agreement, neither can obtain relief against the other and each may take the name which he has used in respect of which he has acquired a reputation into the alleged territory of the other. When it comes to the trial, the court will have to consider analogies of the use by the person of his own name, analogies of conflicting rights and so forth, but this is a novel question and certainly not a situation in which in my view the plaintiff can say he has shown a strong prima facie case that he is right in law. I do not say, of course, that he will not succeed at the trial, but he has not in my view discharged the onus upon him that he has to discharge in order to obtain interlocutory relief.”

The court also referred<sup>204</sup> to the difficulty of a territorial limitation. It raised the point as to how a particular line on the map should be drawn. In view of the difficulties experienced referred to above, the court ruled that A was not entitled to interlocutory relief pending the trial.

### **2.6.5 Summary**

From the Brestian case<sup>205</sup> it is clear that it is not necessary that a reputation should be present in the particular area where the defendant is active. The court indicated specifically that the matter cannot be decided by the mere allocation of goodwill by areas. In the circumstances of the case, it was held relevant that consumers in town X, where a reputation exists, may travel to town Y, where a reputation does apparently not exist. There they will encounter the business of the defendant, and may assume his

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204 Page 810 line 40.

205 Note 180.

business to be associated with that of the plaintiff. In this sense the protection given relates to an area wider than that in which actual trade is conducted.

The above principle was also applied in the Chelsea decision<sup>206</sup>, although it was argued that the plaintiff had no reputation outside the specific geographical areas. The view that a nationwide goodwill must be established was rejected. The court was guided by the issue of the likelihood of confusion. This could for instance ensue if B extended its operations to areas closer to that in which A traded. In this regard the court found it relevant that there is a trend for members of the public to move across the country, and that they could thus be exposed to the goods of B, and assume them to originate from A. In this sense there is accordingly harmony between these decisions.

The issue of geographical disputes inevitably raises the question of expansion. In the Brestian decision<sup>207</sup> the court specifically dealt with this issue. Of particular importance is the following statement of the court.<sup>208</sup>

“Moreover, reasonable scope for expansion of the Plaintiff’s business by the opening of new branches should be allowed, and conversely the possibility of expansion by the Defendant should be taken into account”.

Similarly, in the Kent Messenger case,<sup>209</sup> direct reference was made to future potential sales that would be lost. Although the court did not find the principle applicable in the matter, it seems to have accepted the view expressed in the case of Hiltons Press Ltd v White Eagle Youth Holiday Camp Ltd.<sup>210</sup> as it said that an active proposal by the defendants may in a proper case be enjoined at the suit of plaintiffs who are merely considering carrying on a rival venture, so that to this extent courts may protect mere future possibilities. The application of this principle is, however, difficult. This was confessed by the court in the Evans decision,<sup>211</sup> where it was said that a stalemate could be the result of a clash between parties expanding their businesses independently and honestly from each other. It is also of interest that reference was made in the

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206 Note 189.

207 Note 180.

208 Page 170 line 47 – 49.

209 Note 184.

210 Note 186.

Chelsea decision<sup>212</sup> to a concept firmly established in the United States, namely a zone of natural expansion.

It was also suggested that analogies could be sought with the situation where a person exercises his right to use his own name. However, the latter situation does not provide a clear solution, as the question of whether the use of an own name is likely to lead to confusion inevitably clouds the apparent “right” to use one’s own name, as will also become clear later from the discussion of this issue.<sup>213</sup> It is submitted, therefore, that the principle of priority should apply, and that the person whose reputation first reaches a particular location should be granted protection. Only if this is not feasible, should the second phase, namely a resolution of the matter on the basis of concurrent use principles, where neither party has dominant rights, be entered. In other words, a court should lean towards an approach that the party that is in a position to establish antecedent rights on some rational basis should prevail.

## 2.7 Concurrent use

The basis of any passing off action is, in principle, that the plaintiff has built up a reputation and goodwill through the exclusive use of a particular trade mark. However, in the case of multiple persons claiming entitlement to the use of a particular mark, this principle seems to be subject to qualification. This principle comes to the fore crisply in the case of the various decisions dealing with alcoholic products sharing a common origin, or complying with certain requirements. Wadlow<sup>214</sup> sheds light on the issue:-

“It is conventional to say that all those entitled for the time being to use *Champagne, Sherry, Whisky or Advocaat* for their products share in the goodwill attaching to those terms. To this extent the goodwill might be said to be held in common, although with the proviso that such goodwill cannot in any meaningful sense be severed and no existing user can prevent any number of newcomers sharing in it if they satisfy certain objective criteria. However, this analysis is only necessary because of the historical tendency to view passing-off as

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211 Note 201.

212 Note 189.

213 See paragraph 3.3.1.5.

214 The Law of Passing-Off 136 (own emphasis).

protecting the goodwill associated with a particular name or mark. With passing-off recognised as protecting the plaintiff's goodwill in his business as a whole, there is no conceptual difficulty in finding the other essential element of misrepresentation in the defendant's use of a name or a mark which is not exclusive to the plaintiff. Every Champagne house has a goodwill of its own, partly attributable to the reputation of Champagne itself and partly to its own efforts. The misuse of the name *Champagne* by another trader damages the plaintiff's property in that goodwill, which is his own and not shared with anyone else."

The co-existence of individual and collective rights also appears from the ruling in J Bollinger v The Costa Brava Wine Co Ltd.<sup>215</sup> Here the plaintiffs, twelve producers of champagne from the particular region in France, were held to be entitled to protection of the term, and to obtain relief against the defendants on the basis that the latter's products may be wrongly considered to be genuine champagne. The producers as a group, and not only the particular producers on an individual basis, were held to be able to institute proceedings, having regard to the following pronouncement of the court:<sup>216</sup>

"In my view, it ought not to matter that the persons truly entitled to describe their goods by the name and description are a class producing goods in a certain locality, and not merely one individual."

Wadlow<sup>217</sup> points out that a particular producer would still retain the right to institute proceedings in his own name. Young<sup>218</sup> states that a mark can denote, not only a particular person's goods or services, but also that of a limited number of persons. The concept of some exclusivity is thus maintained. It is submitted that the apparent anomaly of more than one person having a right to prevent the use of a particular trade mark can be explained on this basis. In other words, it is still in a sense a "closed club". The focus is thus more on the position of the defendant, and whether he is making a

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215 Note 46.

216 Page 32 line 1–4 (own emphasis).

217 The Law of Passing-Off 135.

218 Passing Off 6.

misrepresentation. In this context the decision in Habib Bank Limited v Habib Bank A.G. Zurich<sup>219</sup> is of relevance.

The Habib family originally established a bank, Habib Banking Limited (HBL), in Pakistan, and later Habib Bank Overseas Limited (HBO). The latter was exclusively concerned with overseas banking activities. Both banks were effectively under the same family management. HBL and HBO at a later stage had B incorporated in Switzerland as an independent company. The majority of the shares were held by a Swiss company. Although B was a separate legal entity, it was subject to control on a similar basis as HBL and HBO. It was operated as part of the Habib Bank business under the management of the Habib family. At a later stage B opened a branch in London, with the consent and co-operation of A's predecessors. This branch was situated in the premises of HBO. All Pakistani banks were nationalised in 1974 and later that year A was formed through a merger of HBL and HBO. A became a state corporation, and the Habib family ceased to have any part in A's operations. A attempted to obtain control of B by appointing its nominees to B's board, but B refused to accept such nominees.

The High Court pointed out<sup>220</sup> that the reputation in a name may not be the exclusive property of one person, firm or company but there may be a shared reputation and it will suffice if a plaintiff establishes that he is one of a limited class of persons entitled to the goodwill and reputation in a name, and if this is established, he can succeed in passing-off proceedings. It was concluded that a reputation has been built up in the name Habib in the context of banking, and that the reputation that had been built up was a shared reputation.<sup>221</sup> In the court's judgment the reputation, being a shared reputation, was not affected by the nationalisation and it did not alter the interest and rights of the various companies in the name Habib. B had merely continued to exercise a right to trade under this name which they quite legitimately used prior to nationalization along with HBO and HBL.<sup>222</sup> Therefore, it could not be said that either HBO or HBL had acquired a reputation in the name Habib at the relevant date. The High Court accordingly dismissed the action.

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219 [1982] RPC 1.

220 Page 14 line 15-20.

221 Page 15 line 4.

222 Page 15 line 24-29.

On appeal to the Court of Appeal, A suggested<sup>223</sup> that the only way in which B could become entitled to make use of the existing United Kingdom goodwill of HBO, is by a license from HBO or HBL, a license which impliedly endured only so long as the companies remained substantially under the same management. Alternatively, B could justify its operation in the country under its own corporate name by its possession of a goodwill of its own, which it did not have when it commenced business. A stated<sup>224</sup> that insofar as B could claim any reputation or goodwill at all, it could only be that which it enjoyed by the permissive use of its corporate name. That permission determined as soon as it was nationalised. B, on the other hand, argued<sup>225</sup> that it was not so much a matter of a shared reputation or goodwill, as one of honest and unchallenged concurrent user.

It was suggested that there was no evidence whatsoever which could probably support the suggestion that when B came to London there was any limitation of its activities or any condition as to its management or policy implied, understood, or agreed to. It was said<sup>226</sup> that the two companies were both connected to the well-known Habib Banking family and were honestly and properly making a concurrent user of that family name. B, in other words, argued that just as the relevant trade mark legislation enabled the registration of a trade mark in the name of more than one person where there has been honest concurrent use, so someone should be entitled to the continued use of an unregistered mark in the case of honest concurrent use.

The court made the following ruling in this regard:<sup>227</sup>

“I think, if I may say so, that Mr Jeffs’ submissions are too ambitious in this sense, that they seek to elevate into a doctrine dignified by a term of art – “the doctrine of honest concurrent user” what is, in the sphere of passing off, merely a facet of Lord Diplock’s first essential ingredient of misrepresentation. As Mr Aldous has pointed out, section 2 of the Trade Marks Act 1938 expressly provides that nothing in the Act is deemed to affect any rights of action for

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223 Page 23 line 27.

224 Page 24 line 14.

225 Page 24 line 17.

226 Page 24 line 21.

227 Page 24 line 35 – page 25 line 5 (own emphasis).

passing off. The fact therefore that two or more people may be entitled to rely on honest concurrent user of a mark to achieve registration leave quite unaffected the question of whether they may be entitled to sue one another in a passing off action. What I think Mr Jeffs is really saying in propounding his doctrine is really this, that where you find that two traders have been concurrently using in the United Kingdom the same or similar names for their goods or business, you may well find a factual situation in which neither of them can be said to be guilty of any misrepresentation. Each represents nothing but the truth, that a particular name or mark is associated with his goods or business. It is *misrepresentation* which lies at the root of the action and Mr Aldous concedes that if he fails, on the evidence, to demonstrate this, then he fails on this appeal”.

Dealing with the more difficult concept of goodwill in an international context, the court stated that where an internationally known business establishes a branch in the country through a limited company, either incorporated there or abroad, it may be that technically the goodwill and reputation of that business belongs to the limited company in the sense that the company may be the proper and only plaintiff in an action taken there to protect it.<sup>228</sup> The court then added the following:<sup>229</sup>

“But it does not cease to be the goodwill and reputation of the international business because it is also the goodwill and reputation of the local branch. And that reputation inures as it seems to me, equally in any other local branch which the international business may set up in the same place ... At the base of Mr Aldous’ submissions, there lies the notion that even in the case of an international group in the sense used above, once there has been established here a corporate entity making use of their goodwill, the goodwill becomes a localised asset forming part of the exclusive property of a corporate entity, and can be attached to another corporate entity established by the international body only by some transfer from the original user in this country, for instance, by assignment or license expressed or implied. For my part I think that that displays an unduly and unjustifiably formalistic approach to the matter and to be

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228 Page 29 line 45.

229 Page 30 line 3 – line 31 (own emphasis).

an approach which ignores both substance and reality. Essentially the evidence and the learned judge's findings seem to me to justify the proposition that the reputation is shared and that the establishment of a branch in this country, whether as a separate corporate entity or not, imports simply that it is part of that international organisation which is run by the Habib family”.

The court in effect accepted that, at its inception, B's use of the name was with the authority and consent of A, and that the events, of a rather extraordinary nature, that occurred later, cannot cause such use to amount to an unlawful misrepresentation. This ruling can also be related to the general principle that it is the position at the time that the alleged infringing use commenced, that is of importance. The court stated that it may be that the goodwill belongs to the international company, but that it is possible that the local branch might also have a goodwill of its own. Accordingly, the concurrent use of the name created a shared goodwill, and either A or B would be able to prevent the use of the name by a third party. The application of the ruling herein should be approached with caution, however, as it does seem arguable that a parent company retains all goodwill established through the business activities of a satellite company. Moreover, it could be that in given circumstances it does amount to a misrepresentation if the use of a name creates the impression that an association exists between two entities, when this is no longer the factual situation.

The concurrent use of a mark in the same area can entail that the users would, in a certain sense, have to endure what the public may perceive to be a misrepresentation, as is demonstrated by Anheuser-Busch Inc v Budejovicky Budvar N.P.<sup>230</sup> A were brewers of beer in the United States since 1875. Their products were sold under the Budweiser trade mark. However, from the years 1962 to 1973 their products were sold in the United Kingdom at United States' military and diplomatic establishments. Their products were available for purchase by serving Americans and British employees of American service establishments, but were not available for general purchase. B first entered the United Kingdom market in 1973. B were, from 1895, brewers of beer in Ceske Budejovice, a town in Czechoslovakia formerly known by its German name of Budweis. In a passing off action, it was held as follows:<sup>231</sup>

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230 [1984] FSR 413.

231 Page 441 – 442 (own emphasis).

“In my view as at the date of the writ, there was a dual reputation. In my view neither party could claim that this was improperly achieved. In my view, neither party can claim that the other party made a misrepresentation. In putting the word “Budweiser” on their respective beers, neither party was making a misrepresentation for they each had a valid claim to be entitled so to do. In passing off neither can succeed as against the other. It is true that if these beers are on sale under the same name, some degree of confusion may result, just as it must result in the case of marks used in pursuance of registration under section 12(2) of the Trade Marks Act. I am at least comforted by this, insofar as the public is concerned, that the evidence seems to me to establish that in general as soon as they see either the bottles or the cans the public well knows which source the beer is coming from and in the case of sales in cafés where the bottles or cans are not produced they are obviously also a discriminating public who will soon know how to make sure that their “Budweiser” comes from the appropriate source.”

The court’s ruling thus amounts to a recognition that both parties had rights to the trade mark Budweiser. Although neither A nor B could thus prevent each other from using the mark, it does not mean that the mark is not capable of relative exclusive use. In other words, if a third party would commence use of the mark, either A or B, or both, would be able to prevent such party from passing off his products as theirs. The court also recognised that confusion was a likelihood, but that members of the public will eventually come to learn the difference between the two products.

The above aspect was explained in more detail in the leading decision of GE Trade Mark.<sup>232</sup> The rationale of protection for both parties in the case of concurrent use was set out by the court, and it was said to relate primarily to the need to balance the right of the public not to be deceived with the rights of the trader that has concurrent use.<sup>233</sup>

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232 [1973] RPC 297.

233 The court formulated (page 326 line 21–44, own emphasis) the relevant principles as follows:

“But 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 the valuable goodwill. In the early nineteenth century trade was still largely local; marks which were identical or

This view of the court makes it clear that it is not only the issue of the possible deception of the public that is of relevance. The rights a user has established is also of importance, and weight must be attached thereto. Again, the guiding principle is that the use must not have been likely to cause confusion at its inception. The occurrence of confusion at a later stage would then not exclude protection for the concurrent user, but such a principle can, of course, not be framed in absolute terms.

In **summary**, more than one person can thus share the goodwill surrounding a particular trade mark, but the overarching principle is still that there is a limitation as to the number of persons entitled to use the mark, on whatever basis that is relevant in the circumstances. Where an international company establishes a local branch, the branch may in given circumstances establish its own goodwill. Further, it was accepted by the courts that where there is a shared goodwill, the likelihood of confusion could be tolerated, in particular, where both parties have concurrently used the mark concerned, and the public have become accustomed to discerning between the two products. This was the position even where identical marks have been used. The origin of the rule allowing the continuance of concurrent user is a form of protection of the vested rights a trader has established through his user. If the use of a particular mark was lawful in its inception, its use at a later stage cannot amount to a misrepresentation as a general principle, but exceptions to this statement may, of course, be found.

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which closely resembled one another might have been innocently adopted by traders in different localities. In these their respective products were not sold in competition with one another and accordingly no question of deception of the public could then arise. With the rapid improvement in communications, however, in the first half of the nineteenth century markets expanded; products of two traders who used similar marks upon their goods could thus come to be on sale to the same potential purchasers with the consequent risk of their being misled as to the origin of the goods. Furthermore, it was accepted that as an adjunct of the goodwill of the business the right to use the trade mark might be acquired by more than one successor if the goodwill of the business were divided, as it might be, for instance, where the business had formally been carried on in partnership or from more than one manufactory or shop. To meet this kind of situation the doctrine of honest concurrent user was evolved. Under this doctrine the trade mark remained entitled to protection in cases where the use of it had not originally been deceptive but a risk of deception had subsequently arisen as a result of events which did not involve any dishonesty or other wrongful conduct upon the part of the proprietor of the mark. If, however, his wrongful conduct had played a part in making the use of the mark deceptive, the Court of Chancery would not grant him an injunction against infringement. This was but a particular application of the general equitable doctrine that he who seeks equity must come with clean hands."

## 2.8 Honesty of adoption

Another question that arises is whether, as in the case of the statutory concept of “honest concurrent use,”<sup>234</sup> honesty in the adoption of a mark is relevant. In other words, can a defence of concurrent right be defeated if a proper explanation as to the reason for the adoption of the mark is not forthcoming? In particular, is protection excluded where a party is aware of another party’s rights to a mark? Wadlow<sup>235</sup> adopts the approach that said term is derived from the statutory trade mark concept, and is inappropriate in passing-off.<sup>236</sup> He is of the opinion that if there has been concurrent user, de facto, it is not relevant whether it was honest. He states the following in this regard:<sup>237</sup>

“The distinctiveness of marks is frequently destroyed by conduct which would have been actionable, even fraudulent, had the plaintiff acted in time. *A fortiori*, a concurrent right to use the mark, or more properly an immunity, can thus be obtained by use which was less than honest in its inception.”

Insofar as case law is concerned, the ruling in Rolls Razor Ltd v Rolls Lighters Ltd<sup>238</sup> establishes that the choice even of a well-known name will not necessarily exclude protection. In this matter the parties used the trade mark Rolls in relation to razors and lighters respectively. The court accepted<sup>239</sup> that the name was adopted in order to represent to the public that the Rolls Razor was in its class as good as the Rolls Royce car was in its class. This factor in itself, however, did not exclude protection. In this regard the court remarked as follows:<sup>240</sup>

“There is one peculiarity in this case which differentiates it from the ordinary case, and which, in our view, increases somewhat the burden on the Plaintiffs. On the facts as found by the learned judge and accepted by us, both parties took the name of “Rolls” because of its “Rolls-Royce” reputation. Were one to

234 Dealt with below in paragraph 3.3.

235 The Law of Passing-Off 494.

236 See also Drysdale & Silverleaf Passing Off: Law and Practice 71.

237 Ibid.

238 [1949] RPC 299.

239 Page 301 line 7.

240 Page 304 line 45 – line 56 (own emphasis).

personify the goods, the Plaintiffs safety razor is saying: ‘I am the Rolls-Royce of Razors’. The Defendant’s lighter is saying: ‘I am the Rolls-Royce of Lighters’. *Prima facie*, therefore, the Defendant’s goods are not asserting origin in the Plaintiffs. This fact, namely, the common contribution to “Rolls Royce,” is not, of course, fatal. It means, however, that the Plaintiffs must prove, notwithstanding their choice of a name for which they can only acquire a limited reputation, because of its existing association with the *Rolls-Royce Company*, they have by trading for twenty years in substantially one article created a goodwill for themselves in that name so that they can prevent a similar use of it in connection with another article.”

Reference can also be made to DaimlerChrysler AG v Javid Alavi (t/a Merc)<sup>241</sup> where the court said the following:<sup>242</sup>

“I should just add that there must come a time after which the court would not interfere with a continued course of trading which might have involved passing off at its inception but no longer did so: logically, this point would come six years after it could safely be said that there was no deception and independent goodwill had been established in the market by the protagonist.”

The approach of the courts thus seems to be that the mere fact that a mark is adopted with the knowledge that it is the trade mark of another, even in the case of a well-known mark, does not exclude protection.

## **2.9 Summary of section on the relevance of prior use in a common law context**

The following aspects were discussed in this section.

### **2.9.1 Nature of right being protected**

At the time of the introduction of legislation regarding trade marks during 1875, the general view seems to have been that property in a trade mark existed from the moment

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241 [2001] RPC 813.

242 Paragraph 67 (own emphasis).

that it was first used on goods within the market. This approach was followed in the decision of Nicholson's Application,<sup>243</sup> but doubted in Reddaway v Banham.<sup>244</sup> In the Burberrys<sup>245</sup> and Spalding cases<sup>246</sup> "property" was held not to relate to the mark concerned, but to the goodwill which will be injured by its unlawful use.

Writers on the matter follow, in general, the above approach. Wadlow<sup>247</sup> is of the view that passing off does not directly protect trade marks, whilst Morcom<sup>248</sup> states that the view has been rejected that it was the proprietary rights in the mark which was protected. Cornish<sup>249</sup> relates the issue to the need to limit liability for misrepresentations. The decision in Taittinger v Allbev Ltd<sup>250</sup> is seen by Annand and Norman,<sup>251</sup> to signify the start of a move towards treating the common law trade mark as an item of property.

## 2.9.2 Basis of protection

In the Australian Cadbury decision,<sup>252</sup> reference was made to the wider scope of protection that passing off provides nowadays, but there was no suggestion that the remedy concerned was anything other than passing off. Reference was made to the term unfair competition in the Moorgate Tobacco case,<sup>253</sup> but it was said that "unfair competition" does not, in itself, provide a sufficient basis for relief under the law of that country. The issue should be dealt with by legislation.

Insofar as English law is concerned, the term unfair trading was, for instance, used in the Erven Warnink case,<sup>254</sup> but not in reference to a general basis of liability. Wadlow<sup>255</sup> sees the guiding principle to be that stated in the Mogul Steamship case,<sup>256</sup> namely that

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243 Note 3.

244 Note 5.

245 Note 7.

246 Note 9.

247 The Law of Passing-off 45.

248 Morcom *et.al.* The Modern Law of Trade Marks 241.

249 Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights 619.

250 Note 22.

251 Blackstone's Guide to the Trade Marks Act 1994 24.

252 Note 29.

253 Note 31.

254 Note 34.

255 The Law of Passing-Off 38.

256 Note 36.

it lies outside the power of the courts to draw a line between fair and unfair competition. He also indicates that it is now settled law that the “drinks” cases are all examples of passing off and that no more general theory of unlawful competition is required to explain them.

### 2.9.3 Requirements for protection

The elements of passing off in its classical form, also known as the classic trinity, were set out in the Reckitt and Colman case,<sup>257</sup> being the existence of a goodwill or reputation, secondly, a misrepresentation by the defendant to the public, leading or likely to lead the public to believe that the goods offered by him are the goods of the plaintiff, and, thirdly, the plaintiff must prove that he suffers, or is likely to suffer, damage through the misrepresentation.

The requirements for passing off in its extended form were dealt with in the Advocaat case.<sup>258</sup> Lord Diplock’s formulation related to five elements, namely (1) a misrepresentation, (2) made by a trader in the course of trade, (3) to prospective customers, (4) which is calculated to injure the business or goodwill of another trader, and (5) which causes actual damage to the business or goodwill of the trader, or will probably do so.

### 2.9.4 Use by foreign plaintiffs

It was noted that a reputation alone is not sufficient to succeed with a passing off action. It is necessary for a plaintiff to also have a goodwill in England. This principle was illustrated with reference to a number of cases.

Goodwill was found to be present in the Poiret<sup>259</sup> and Globe Elegance cases,<sup>260</sup> both relating to goods, and insofar as services are concerned, in the Sheraton decision,<sup>261</sup> where the plaintiff placed advertisements for its hotels in the United States in the United

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257 Note 49.

258 Note 34.

259 Note 68

260 Note 72.

261 Note 75.

Kingdom and obtained reservations for them through an office maintained in the country. In the Metric Resources case,<sup>262</sup> a company that rented out electronic equipment was granted interim relief, but the court pointed to substantial obstacles that the plaintiff would face at trial.

With regard to cases where a goodwill was found to be absent, the most prominent is probably the Crazy Horse decision.<sup>263</sup> The court rejected the view that it is sufficient if a reputation exists and confirmed that use was required.

In commenting on these cases, reference was made to the influential Star Industrial decision,<sup>264</sup> in which it was said that goodwill has no independent existence apart from the business to which it is attached. The Athletes Foot case<sup>265</sup> made it clear that this view does not imply that the trader must be personally present in the country. Against this background, the decisions in the Poiret<sup>266</sup> and Globe Elegance<sup>267</sup> cases can be understood, as the goods concerned were available, in contrast with the position in the Chivers decision.<sup>268</sup>

In summary, it was submitted that the approach adopted in the Baskin-Robbins case<sup>269</sup> is correct. It was said that the existence and extent of the plaintiffs' reputation and goodwill is one of fact in every case, however it may be proved and whatever it is based on. Whilst the "hard line" approach is current in English law, it was noted that the courts often apply this principle with some reservation.

### 2.9.5 Acquisition of rights

In the Fletcher Challenge case<sup>270</sup> protection was given to a newly formed company on the basis that its new name did have a reputation, created through the announcement of

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262 Note 91.

263 Note 76.

264 Note 94.

265 Note 101.

266 Note 68.

267 Note 72.

268 Note 89.

269 Note 66.

270 Note 124.

the merger. Similarly, the name of a new entity was protected in Glaxo Plc v Glaxowellcome Limited.<sup>271</sup>

Promotional activities prior to trading were held not to provide rights in the famous case of Maxwell v Hogg.<sup>272</sup> However, in the Allen,<sup>273</sup> BBC,<sup>274</sup> and My Kinda Bones<sup>275</sup> decisions, protection was granted to promotional activities undertaken prior to the actual commencement of business activities. Sabotage marketing featured in the Alida Gibbs case,<sup>276</sup> which related to a publicity campaign that was disrupted by a competitor. A short period of trading, namely three weeks, was held to be sufficient to provide protection in the Stannard case.<sup>277</sup>

The use of a descriptive mark, even for a considerable time, would not provide rights, according to the McCain decision.<sup>278</sup> The same approach was followed, in general, in the Marcus Publishing,<sup>279</sup> County Sound,<sup>280</sup> and Compatibility Research<sup>281</sup> rulings.

### 2.9.6 Geographical dimension

The Brestian case<sup>282</sup> indicated that territorial disputes cannot be decided by the mere allocation of goodwill by areas. In some decisions it was held that courts may protect mere future possibilities, and in the Thomson case<sup>283</sup> the court indicated that it would have been prepared to protect sales of the plaintiff to potential customers in a particular area.

In the Chelsea Man decision,<sup>284</sup> the court granted a nationwide injunction that, consequently, had effect even outside the actual location of the plaintiff's three outlets.

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271 Note 129.

272 Note 131.

273 Note 132.

274 Note 135.

275 Note 137.

276 Note 145.

277 Note 147.

278 Note 151.

279 Note 153.

280 Note 160.

281 Note 164.

282 Note 180.

283 Note 184.

284 Note 189.

Of particular importance in this regard was the fact that it was common for people to move about all parts of the country and that they could encounter goods labeled with the defendant's trade mark.

In the Evans decision<sup>285</sup> it was said that it is possible that the answer in such circumstances could be that there is a stalemate, and that, unless the parties can resolve the matter, neither of them can obtain relief against the other. This implied that they could continue to use the mark in relation to which they had built up a goodwill.

The Kent Messenger case<sup>286</sup> also referred to future potential sales that would be lost, and seemed to have accepted the view expressed in the Hiltons Press case,<sup>287</sup> namely that an active proposal by the defendant may be prevented even if the plaintiff was merely considering carrying on a particular competing venture. Whilst the principle may seem clear, its application may be problematical, as appears from the Evans decision.<sup>288</sup>

### 2.9.7 Concurrent use

It was stated that the underlying idea of a passing off action is that the plaintiff has built up a reputation and goodwill through the exclusive use of a particular trade mark. As decisions, such as that in the Champagne case<sup>289</sup> make clear, a group of plaintiffs can also be entitled to protection.

The position of an international company that sets up a branch in a different country was at issue in the Habib case.<sup>290</sup> The principle applied is that whilst, strictly speaking, the goodwill belongs to the international company, it is possible that the local branch might also have a goodwill of its own. The concurrent use of a mark between two unrelated parties can imply that a dual reputation exists, and that neither party can claim that the other party makes a misrepresentation.

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285 Note 201.

286 Note 184.

287 Note 186.

288 Note 201.

289 Note 46.

290 Note 219.

The ratio for the protection of the honest concurrent user was placed in perspective in the GE Trade Mark<sup>291</sup> decision. The view of the court was that it is not only the question of the possible deception of the public that is of importance. The rights a user has established are also relevant, and weight must be attached thereto.

### **2.9.8 Honesty of adoption**

Writers such as Wadlow<sup>292</sup> express the view that the term “honest concurrent use” is derived from trade mark legislation, and should thus not find application in this area. Other writers, such as Drysdale & Silverleaf,<sup>293</sup> adopt the same approach. With regard to decisions on this aspect, reference can be made to the Rolls Razor case,<sup>294</sup> where it was held that the fact that a famous mark was adopted did not exclude protection, although the burden of proof would be higher.

## **3. THE RELEVANCE OF PRIOR USE IN A STATUTORY LAW CONTEXT**

The role of prior user in a statutory context is now considered, having regard to the Trade Marks Act of 1994, the 1938 Act, and, where appropriate, earlier legislation. Prior use, in the context of statutory law, features in four situations, namely where an application for the registration of a mark is opposed, a registered mark is expunged, registration is sought on the basis of honest concurrent use, or where the defence of prior use is raised in infringement proceedings.

### **3.1 Opposition of applications**

In certain instances applicants for registration can oppose other applications, and in the process the issue of prior use will feature.

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291 Note 232.

292 The Law of Passing-Off 494.

293 Passing Off: Law and Practice 71.

294 Note 238.

### 3.1.1 Opposition by applicants for registration

In the situation where there are two applicants who have, in effect, competing applications for registration, the legislature has prescribed different routes to be followed in the resolution of such disputes. The provisions of the 1938 Act and the current statute are now discussed.

#### 3.1.1.1 The 1938 Trade Marks Act

Section 12(3) determined that in the case of competing applications, the Registrar may refuse to register any of them until the parties' rights have been determined by him, or have been settled on a basis acceptable to him.

In terms of procedure, the approach of the Registrar was that, in instances where there was a dispute over which party could rightfully claim to be the proprietor of a mark, for instance, when the parties to a former joint venture are in disagreement about the ownership of a mark, or where there is a dispute as to whether the mark is an importer's or manufacturer's mark, he would usually exercise his discretion to refuse to proceed with either application until the rights of the parties have been determined by the court as provided by section 12(3).<sup>295</sup>

In other cases, the prior application will be allowed to proceed on notice to the other party whose application will in the meantime be suspended. In determining which is the prior application, first user will defeat first application. If no successful opposition results, the advertised mark will proceed to registration and the suspended application will then be refused. If the advertised mark is successfully opposed, the suspended application will be advertised and be liable to opposition in its turn.<sup>296</sup>

Where, however, both applications claim prior user and were independently conceived, the one with the longer use will be the one to be advertised, on notice to the other. The application with the shorter use will be suspended pending the outcome of any

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295 Guidelines for section 12(3) Procedure issued by the Registrar dated 19 December 1978, paragraph 5.

296 Guidelines paragraph 6.

opposition proceedings, unless the applicant can claim the provisions of section 12(2).<sup>297</sup>

### 3.1.1.2 The 1994 Act

The provisions of section 5(1) illustrate the Act's approach. The section reads as follows:

“(1) A trade mark shall not be registered if it is identical with an earlier trade mark and the goods or services for which the trade mark is applied for are identical with the goods or services for which the earlier trade mark is protected.”

In the above section reference is made to an “earlier trade mark”. In terms of section 6(2) this concept is defined to include a mark for which an application has been filed. An opposition can thus be lodged by the earlier applicant. The respective filing dates are consequently of importance. If the later applicant proves user prior to the filing date of the earlier applicant, the ground of opposition should not be applicable anymore, although the section does not expressly state so. It could thus mean that the application of a later applicant with earlier use can be blocked. This seems to be incorrect, and a broader principle of priority should be read in, so that the later applicant can prevail. In such an instance, use by the earlier applicant prior to the date of first user of the later applicant would be necessary to maintain the leverage provided by the section. It must be borne in mind that the provisions regarding honest concurrent use might be relevant.<sup>298</sup>

Where a later applicant wishes to oppose an earlier application, he would, seemingly, have to rely on section 5(4)(a). Then the ground of opposition would have to relate to an “earlier right” as set out in section 5(4)(a). The provisions regarding honest concurrent use might again be relevant.<sup>299</sup>

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297 Guidelines paragraph 7.

298 In particular section 7(1)(a).

299 See section 7(1)(b).

In **summary**, the position under the 1938 Act was that provision was made for the resolution of disputes by way of the process of a determination of rights. Procedurally, preference was given to priority of user. In terms of the current Act, the matter is dealt with by way of opposition proceedings, and as a point of departure, preference is given to a prior filing.

### **3.1.2 Opposition by the user of a mark**

#### 3.1.2.1 The 1938 Act

##### 3.1.2.1.1 The relevant provision

The relevant provision here is section 11, which determines that a mark shall, inter alia, not be registered if the use thereof would, by reason of its being likely to deceive or cause confusion or otherwise, be disentitled to protection in a court of justice, or would be contrary to law or morality,

##### 3.1.2.1.2 General principles

The general principles relating to the application of this section were discussed in Hack's Application.<sup>300</sup> The court set out<sup>301</sup> the following relevant principles.

Firstly, the onus is on the applicant to satisfy the court that there is no reasonable probability of confusion. Secondly, the rights of the parties are to be determined as of the date of the application for registration. Thirdly, the onus must be discharged by the applicant in respect of all the goods within the specification of his application and not only in respect of any particular article within such specification. Fourthly, the effect on the public of the use of any particular get up or mode of presentation of the product is not the question which has to be determined by the court. The true test is whether the use of the mark by itself, in any manner which can be regarded as a fair use of it, will be calculated to deceive or cause confusion. Fifthly, and importantly, the question whether a particular mark is calculated to cause or deceive confusion is not the same as the

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300 [1940] RPC 91.

301 Page 103 line 25.

question whether the use of the mark will lead to passing off. The mark must be held to offend against the provisions of section 11 if it is likely to cause confusion or deception in the minds of persons to whom the mark is addressed, even if actual purchasers will not ultimately be deceived.<sup>302</sup>

### 3.1.2.1.3 Is user or reputation required?

The basis of an opposition, seen from the perspective of the opponent, was considered in Smith Hayden & Co's Application.<sup>303</sup> The court stated<sup>304</sup> that the test under section 11 is whether, having regard to the reputation acquired by the trade mark, the court is satisfied that the mark applied for, if used in a normal and fair manner in connection with any goods covered by the registration proposed, will not be reasonably likely to cause deception or confusion amongst a substantial number of persons.<sup>305</sup> This test was, however, criticized in the decision in Bali Trade Mark,<sup>306</sup> where it was said<sup>307</sup> by Lord Upjohn that it would be more appropriate to refer to user.

The above issue was considered further in L' Amy.<sup>308</sup> Here an application by A was opposed by B in terms of section 11 and 12(1)<sup>309</sup> of the Act. A submitted,<sup>310</sup> relying on the Smith case,<sup>311</sup> that user was not sufficient, and that the test was whether, with regard to the reputation acquired by B, there was a likelihood of confusion. B adopted the approach in the Bali case,<sup>312</sup> namely that user was in fact sufficient. It was held<sup>313</sup> to be decisive that B did not prove user.<sup>314</sup> In the later decision of Celine S.A. Trade Mark<sup>315</sup> it was confirmed that it is basically the opponent's use which matters. If he

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302 Page 104 line 3.

303 [1946] RPC 97.

304 Page 101 line 41.

305 With regard to the criterion that there must be a likelihood of confusion amongst a substantial number of persons, it was said in the New Zealand case of Pioneer Hi-Bred Corn Co. v Hy-Line Chicks (Pty) (Ltd) [1979] RPC 410 that this requirement must be applied sensibly, and that in a specialised industry, the actual number of persons misled do not have to be large, but the number must be significant in the particular industry.

306 [1969] RPC 472.

307 Page 496 line 26.

308 [1983] RPC 137.

309 This section deals with an opposition based on a registered mark.

310 Page 142 line 10.

311 Note 303.

312 Note 306.

313 Page 142 line 26.

314 Page 142 line 39.

315 [1985] RPC 381.

produces evidence of reputation, he can rely on that as well, but it is the use that is essential.<sup>316</sup> It should be noted also that in the New Zealand case of Pioneer Hi-Bred Corn Co. v Hy-Line Chicks (Pty) (Ltd)<sup>317</sup> the approach was adopted that a reputation acquired solely by advertising, without actual trade, was sufficient to form the basis for an opposition in terms of section 11.

With regard to the time aspect of an opposition based on section 11, the primary question is whether, at the date of application, the mark was deceptive or disentitled to protection.<sup>318</sup> This aspect was considered in detail in the authoritative decision of the House of Lords in the Bali case.<sup>319</sup>

#### 3.1.2.1.4 The Bali decision<sup>320</sup>

##### (a) The facts

The facts of the matter were that A had used the trade mark Berlei since 1930, and had also obtained a registration for the mark in block letters, as well as in a script format. B obtained registration for a mark in 1938, the main feature of which was the word Bali. A was not aware of the registration obtained by B. B had some sales in the country between 1935 and 1939, but there were none between 1939 and 1962.

In 1959 B applied for the registration of the word Bali. A then opposed this application inter alia, on the basis of section 11 of the Act. A also applied for the expungement of B's registration on the basis of their own use since 1930. They contended that as the registration of B offended the provisions of section 11, it ought never to have been registered.<sup>321</sup> In relation to the registration of B, the provisions of the Act,<sup>322</sup> of course, provided that after a period of seven years from the date of registration, the registration would be taken to be valid in all respects, but section 11 constituted an exception.

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316 Page 397 line 49-51

317 Note 305.

318 Kerly Law of Trade Marks Thirteenth Edition (1986) Sweet & Maxwell, London 165.

319 Note 306.

320 Note 306.

321 Page 482 line 6.

322 Section 13.

In regard to the meaning of section 11, A submitted that it does not suffice to prove a likelihood of deception or confusion. There must be further proof of resulting disentitlement to protection in a court of justice and it must be established that there will be success in passing off proceedings.<sup>323</sup> The court mentioned<sup>324</sup> that the wording of section 11 is mandatory, and that it provides that it shall not be lawful to register certain marks. These are marks which would, on account of their being likely to deceive or cause confusion or otherwise, be disentitled to protection in a court of justice, or marks the use of which would be contrary to law or morality.

The court stated that it was concerned with whether at the date of application, in 1938, the use of the mark Bali would have been disentitled to protection in a court of justice by reason of the fact that its use would be likely to deceive or cause confusion.

(b) Must passing off be established?

In the course of his judgment, Lord Morris dealt with other relevant cases. He referred<sup>325</sup> to the Transfermatic Trade Mark decision<sup>326</sup> where the approach was followed that an opponent to registration can rely on section 11 if, on the ground of the likelihood of confusion, the applicant could be restrained in a court of justice. However, if all the opponent could show was that a number of persons might entertain a reasonable doubt as to whether the goods bearing the two marks come from the same source, falling short of the grounds for relief against passing off, further argument would be required. In regard to the approach adopted in the latter judgment, Lord Morris stated<sup>327</sup> that the views of that court should not be taken as saying that potential success in a passing off action is always a test in applying section 11, or that the evidence must always be sufficient to ensure success in a passing off case. If this was the meaning of the decision it would not be in accord with the approach followed in other cases, such as that in McDowell's Application.<sup>328</sup>

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323 Page 487 line 16.

324 Page 487 line 37.

325 Page 490 line 42.

326 [1966] RPC 568.

327 Page 491 line 10.

328 [1927] RPC 335.

In the latter case it was said that the matter had been dealt with too much as if it was litigation between the parties and as if it had been a passing off case. Lord Morris also made reference to the case of Hack's Application<sup>329</sup> where it was said that the question whether a particular mark is calculated to deceive or cause confusion is not the same as the question whether the use of the mark will lead to passing off. Having regard to all the considerations, Lord Morris ruled in favour of A. The important aspect of the judgment of Lord Morris is that it finally makes it clear that section 11's application does not require the same factual basis as would be required in a passing off matter.

(c) Must entitlement to registration be established?

In his judgment, Lord Upjohn emphasised the fact that an objector can oppose a particular mark's registration although he might himself not be entitled to obtain registration of the particular phrase.<sup>330</sup>

(d) The meaning of the phrase "disentitled to protection in a court of justice"

Lord Upjohn made the following important statement so as to clarify the meaning of the above phrase.<sup>331</sup>

"My Lords, I think the presence of the words "disentitled to protection in a court of justice"... is explained by the fact that in order to prevent the registration of a mark or to secure its removal, it must be established...not merely that there is a likelihood of deception or confusion between two marks judged upon the well known tests...but something more, that is user at the relevant time by the owner of the existing mark which under the old common law the court...would protect. The whole emphasis is upon the question whether the owner of the mark in suit, assuming him to bring some action against another trader, would be disentitled from succeeding for any of the reasons set out in section 11; not whether

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329 Note 300.

330 This was said with reference to the decision in Dunn's Trade Mark [1890] RPC 331 where Mr Eno consented to the removal of his mark Fruit Salt. In this regard it is stated (on page 312 line 8) that the reason was that Mr Eno did not use his mark prior to the 13th of August 1875. However, the public was familiar with Mr Eno's Fruit Salt and it was considered that deception was likely if Mr Dunn would use the term. Mr Eno was held to be entitled to object as a member of the public to the registration of the mark.

anyone would succeed against him. This is the chief distinction between section 11 and section 12.

Section 12 is principally a weapon in the hands of a registered proprietor although it is not necessary that he personally should object. Here no user by the registered proprietor need be shown; it is purely a question of similarity. Section 11 is, as I have said, for the protection of the public and anyone may object, but if he only relies on similarity he must prove the practical likelihood of confusion to the public and this he can only do, for the purposes of this section, by proving the existing user by another, not necessarily by himself, which is likely to cause deception or confusion; but if he does not establish likelihood of confusion by some present user of a similar mark likely to cause deception or confusion, the court would not treat that as sufficient to disentitle the mark in suit to protection.”

The approach of the court is thus that regard is had to the matter from the perspective of the applicant, and whether he would succeed in proceedings against a third party. In other words, not whether he has a defence against the opponent as such. One can envisage situations where the applicant will succeed with even a passing off action against a third party, and thus be entitled, at least theoretically, to protection in a court of justice in this narrow sense.<sup>332</sup> Yet that fact would not necessarily seem to be decisive in a confrontation with an opponent having prior and superior user. The merits of the

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331 Page 495 line 41 – page 496 line 18 (own emphasis).

332 An interesting aspect that was raised by Lord Wilberforce was the origin of the phrase “disentitled to protection in a court of justice.” He traced the origin of the words to section 6 of the Trade Marks Registration Act, 1875, the first registration legislation, which had the wording “any words the exclusive use of which would not by reason of their being calculated to deceive or otherwise, be deemed to be entitled to protection in a court of equity”. This was said to refer to the position, as regards protection, which existed before the registration of trade marks became possible. Lord Wilberforce then (page 501 line 40 – 45, own emphasis) made the following statement to place the matter in perspective:

“There can be no doubt that when the Act of 1875 used the words “entitled to protection in a court of equity” it was referring to the rights, which long before the system of registration was introduced, an owner of a trade mark had to come to a court of equity and ask for his right of property to be protected, a right which, in accordance with general equitable principles would be denied protection if there was an element of deception in his claim or it were otherwise not founded on truth”.

This explanation again confirms the above view of Lord Upjohn, that the focus is on the entitlement of the applicant to protection. As commented above, this would, however, seem to be a minimum requirement, and should not, in general, be conclusive of the matter.

applicant can thus not be determined in a vacuum. To be sure, the applicant's use will be likely to cause confusion, and be, accordingly, disentitled to protection, if the opponent has proven user of such an extent as to make confusion a likelihood.

It would seem that the ability of an applicant to succeed against another party, per se, cannot constitute an answer to an opposition based on section 11. The second passage underlined in the above quotation implicitly confirms this view, by referring to the necessity to prove existing user, which is likely to cause confusion. It is then specifically stated that if the opponent cannot establish such user, the court will not hold that the applicant is disentitled to protection. This, in short, makes it clear that the matter does not stand or fall on the position of the applicant, but, in the end, on the establishment of confusion by the opponent vis-à-vis the applicant, not confusion between the applicant and a third party, and the entitlement of the applicant to relief in that context. There is thus interaction between the two facets of user. It must be conceded, however, that the fact of extensive user would, factually, be in favour of the applicant as indicative of the absence of a likelihood of confusion.

(e) The correct test

Lord Upjohn indicated that the correct test to be applied is the following:<sup>333</sup>

“It is not necessary in order to find that the mark offends against section 11 to prove that there is an actual probability of deception leading to a passing off, or I add, an infringement action. It is sufficient if the result of the registration of the mark will be that a number of persons will be caused to wonder whether it might not be a case that the two products come from the same source. It is enough if the ordinary person entertains a reasonable doubt, but the court has to be satisfied not merely that there is a possibility of confusion; it must be satisfied that there is a real tangible danger of confusion if the mark which it is sought to register is put on the register.”

Lord Upjohn then<sup>334</sup> accepted that at the time of the registration of the trade mark Bali, in 1938, the name Berlei had acquired a substantial reputation as denoting A's goods and

that the name Bali had not acquired any significant reputation. The Lordships, therefore, allowed the expungement of B's registration.

#### 3.1.2.1.5 Quantum of use

The quantum of use necessary to succeed in an opposition in terms of section 11 was considered in Harold Radford & Company Ltd's Application.<sup>335</sup> The facts of the matter give an indication of the amount of use that would not qualify for protection under section 11. In relation to class 12 applications, the one party had use of only a month, and the other party use of six months, but only sold 13 "shooting brakes." The Registrar had particular regard to the fact that the use of both parties was insufficient to establish a reputation. This ruling established that, although it was said in the Bali case<sup>336</sup> that (only) user, in contrast to reputation, is required, insufficient user would not give rise to protectable rights.

The case also points to the interaction between opposition proceedings and the provisions of section 12(3). If neither of the parties to an opposition establishes a superior title to a mark, it would be necessary to act in accordance with the provisions of the latter section.<sup>337</sup>

#### 3.1.2.2 The 1994 Act

##### 3.1.2.2.1 The relevant provision

Section 5(4)(a) states that:

"A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented –

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333 Page 496 line 41 – page 47 line 2 (own emphasis).

334 Page 497 line 10.

335 [1951] RPC 221.

336 Note 306.

337 In this particular case, B's date of first use predates A's date of first use and his filing date. B would thus be likely to succeed in determination of rights proceedings.

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..."

#### 3.1.2.2.2 Origin of provision

Section 5(4)(a) implements the optional provisions of article 4(4)(b) of the Directive,<sup>338</sup> which states that:

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

rights to a non-registered trade mark or to another sign used in the course of trade were acquired prior to the date of the application for registration of the subsequent trade mark, or to the date of the priority claimed for the application for registration of the subsequent trade mark and that non-registered trade mark or other sign confers on its proprietor the right to prohibit the use of a subsequent trade mark;"

#### 3.1.2.2.3 Application of provision

It is clear that this section differs from section 11 of the 1938 Act,<sup>339</sup> in that it does not require an opponent to make out a passing off case. The requirements for this remedy, which were dealt with earlier<sup>340</sup> in detail, would thus be relevant. Various aspects of section 5(4)(a) were considered in recent cases, and these are discussed below.

##### (a) The scope of comparison

What is of interest, firstly, is the scope of the comparison that must be made to establish a likelihood of confusion between marks. Is it the mark as used, or as filed, that must be considered?

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338 The First Council Directive No. 89/104/EEC of December 21 1988 to approximate the laws of the member states relating to trade marks.

339 See paragraph 3.1.2.1.4 (b) supra.

340 See paragraph 2.3 supra.

In Wild Child Trade Mark<sup>341</sup> the appointed person, Mr Geoffrey Hobbs QC, stated the test to be applied in relation to an opposition in terms of section 5(4)(a) as follows:<sup>342</sup>

“The question raised by the grounds of opposition is whether normal and fair use of the designation WILD CHILD for the purpose of distinguishing the goods of interest to the applicant from those of other undertakings ... was liable to be prevented at the date of application for registration ... by enforcement of rights which the opponent could then have asserted against the application in accordance with the law of passing-off.”

The correct approach, also according to Kerly,<sup>343</sup> is to consider a normal and fair use of the mark, and to gauge whether or not this would amount to passing off. Interestingly, however, he considers this test to be similar to that followed in terms of section 11 of the 1938 Act. Kerly<sup>344</sup> also states the following, after referring to cases confirming said test to be the postulation of normal and fair use of the mark:

“In this sense the test is different from that involved in a claim for passing off which would normally require a consideration of all the circumstances of the defendant’s trade.”

Kerly’s view thus seems to be that extraneous circumstances are not considered.

Kitchin and Mellor<sup>345</sup> set out the position as follows:

“There is a further complication arising from the particular formulation of the prohibition. In considering the question of passing off the court must normally consider all the circumstances of the trade of the defendant to determine if deception is in fact occurring or likely. This analysis includes all distinguishing

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341 [1998] RPC 455.

342 Page 459 line 50 - page 460 line 4 (own emphasis).

343 Law of Trade Marks (2001) 258 note 17.

344 Law of Trade Marks (2001) 258 (own emphasis).

345 Trade Marks Act 1994 26-33.

material. Under the prohibition, however, it seems that a notional and fair use of the mark the subject of the application will have to be considered.”

The writers appear to accept that the circumstances of use would not be considered in terms of section 5(4)(a).

The test to be applied was also stated in Oasis Stores Ltd Application<sup>346</sup> where A applied for registration of the trade mark Eveready for contraceptives and condoms. The application was opposed by B on the basis of its Ever Ready trade mark which was well known, inter alia, in relation to batteries. B relied, amongst other provisions, on section 5(4)(a). Reference was made<sup>347</sup> to the leading cases of Reckitt & Colman,<sup>348</sup> and Erven Warnink,<sup>349</sup> and a statement on the legal position, being that it is relevant to consider the manner in which the defendant makes use of the mark and collateral factors. However, it was then stated:<sup>350</sup>

“I accept that the comparison under section 5(4)(a) of the Act is between the applicant’s mark, as applied for, and the opponent’s mark as actually used.”

It was thus accepted, in contrast to the position in terms of passing off, that the focus is on the applicant’s mark as filed.

The question whether the technical requirements of passing off are relevant was considered in the Corgi Trade Mark<sup>351</sup> case. Here A obtained registration for the trade mark Corgi in relation to goods within class 25. B was the owner of the trade mark Corgi as used and registered in relation to model vehicles for many years. The appointed person, Mr Geoffrey Hobbs QC, stated<sup>352</sup> that it is not correct for the purposes of section 5 of the Act to assimilate objections based on an “earlier trade mark”<sup>353</sup> with objections based upon an “earlier right” protected by the law of passing-off. In an action for passing off the likelihood of misrepresentation and the prospect of damage to goodwill

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346 [1998] RPC 631.

347 Page 642 line 5, and 46.

348 Note 49.

349 Note 34.

350 Page 643 line 26 (own emphasis).

351 [1990] RPC 549.

352 Page 557 line 8.

must be sufficiently real and substantial to warrant the intervention of the court. Section 5 adopts a different approach to the protection of “earlier trade marks.” He then stated:<sup>354</sup>

“Those provisions relating to earlier trade marks were plainly not drafted with a view to applying the technical requirements of a common law action for passing off to the protection of “earlier trade marks” under the Directive.”

It is submitted that the view of the appointed person that the provisions relating to earlier trade marks were not drafted with a view to applying the technical requirements of a common law action for passing off, should also apply when section 5(4)(a), dealing with earlier rights, is considered. In other words, there is postulated a fair and normal use of the mark as applied for, and regard is not had to the actual manner of use, which would typically be considered in a passing off scenario.

The issue of exactly what material should be compared was also considered in Saxon Trade Mark.<sup>355</sup> Here former members of a band performing under the name Saxon obtained registration for Saxon. The application was filed after they left the group, and started their own groups, known amongst others as Graham Oliver’s Saxon. The remaining member of the band that continued to perform under the name Saxon, attacked the registration,. In formulating the test to be applied, the court stated the following:<sup>356</sup>

“As far as s.5(4) of the Act is concerned, the question to be asked is whether any normal use by the proprietors or either of them of the mark as registered for any of the goods or services in respect of which it is registered would be liable to be prevented by passing off proceedings brought by any other person. Since the mark as registered is SAXON, normal use would include use of that word alone by the proprietors in relation to records and live performances.”

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353 Typically a registered mark – section 6(1)(a).

354 Page 557 line 16 – line 18.

355 [2003] FSR 704.

356 Page 715 paragraph 31 (own emphasis).

Later in the judgment, this view was re-iterated:<sup>357</sup>

“What counts is whether Mr Dawson could be sued for passing off if he used SAXON alone, not whether Mr Byford could be sued.”

It thus seems fair to say that it is the use of the mark as applied for that must be considered, in a notional sense, not the actual circumstances and manner of use, which would involve the consideration of extraneous matter. This should be the position although the latter forms part of normal passing off criteria.

The decision in Reef Trade Mark<sup>358</sup> is seemingly in conflict with the above cases. Here A, the members of a pop group called Reef, applied for registration of the trade mark Reef in relation to goods within class 25 and class 26. B opposed the application on the basis of its earlier trade mark registration for Reef Brazil, as well as its common law rights created by the use of Reef Brazil.

In regard to the issue under discussion, the court stated the following:<sup>359</sup>

“Where the applicant’s mark is unused, this section presents a number of conceptual questions. Passing off is essentially a question of fact: does the defendant in fact make a false representation as to the origin of his goods by using the mark in suit? The first question is, when the mark is unused, what use is to be considered? The natural response is to say that all normal and fair uses of the mark in respect of all the goods in respect of which the mark is sought to be registered. This is capable of raising a number of factual difficulties which, unless kept within proper bounds, run the risk of turning every opposition in the Registry into a passing-off action with cross-examination and disclosure.”

Following the “classical trinity” approach in relation to the elements of a passing-off action, namely the existence of a goodwill and reputation, the likelihood of deception and damage, the hearing officer found that B had a trading goodwill in relation to the

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357 Page 716 paragraph 33 (own emphasis).

358 [2002] FSR 19.

359 Page 400 paragraph 26 (own emphasis).

goods concerned, and in particular a reputation associated with Reef Brazil. It was assumed that Reef Brazil would be abbreviated to Reef, and that there was accordingly a reputation associated with Reef. This finding was accepted by the court.<sup>360</sup> The court referred to a statement of the Hearing Officer, made in the course of coming to his decision that the opponent had not discharged the burden of proving passing off:<sup>361</sup>

“If the relevant public – surfers – are also aware of the band REEF are they more or less likely to be confused as to the origin of the latter’s products? I think less likely. They would be able to make a distinction between T-shirts and the like merchandised by the rock band and sandals known as REEFS.”

The court commented as follows on this approach:<sup>362</sup>

“In my judgment, this short passage entirely overlooks the fact that while merchandising use of the goods to which the applicant’s mark is applied is the relevant use, the relevant representation is not necessarily that on the front of the T-shirt. It also overlooks the fact that at the date there had been no use of the applicant’s mark.”

The court had evidence before it as to the manner in which the applicant’s mark would be used. It is thus accepted that it is difficult to exclude same from a consideration of the matter. However, it can be argued that the positioning of the label amounts to a consideration of surrounding circumstances that has been held by the above cases and writers not to enter the picture. It must also be pointed out that if the process simply involves a consideration of the notional use of the mark, the fact that the mark has not been used would not have been problematical.

Strong support for a view contrary to what has been proposed thus far is found in Open Country Trade Mark.<sup>363</sup> The court stated the following:<sup>364</sup>

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360 Page 401 paragraph 29.

361 Page 402 paragraph 33.

362 Page 402 paragraph 34 (own emphasis).

363 [2000] RPC 477.

364 Page 482 line 1 – 7.

“The test laid down in *Smith Hayden*, adapted in accordance with the speech of Lord Upjohn in BALI, is the test applicable whether the applicant has or has not used his trade mark. However, no court would be astute to believe that the way that an applicant has used his trade mark was not a normal and fair way to use it, unless the applicant submitted that it was not. It does not follow that the way that the applicant has used his trade mark is the only normal and fair manner. However, in many cases actual use by an applicant can be used to make the comparison.”

It is submitted that the question should be answered through an analogy with the principles relating to infringement. The discussion of this aspect is thus concluded by having regard to the following statement of Kerly,<sup>365</sup> made in an infringement context, which, it is submitted, nonetheless encapsulates the criterion to be utilised in terms of section 5(4):

“The statutory protection is absolute in the sense that the user cannot escape by showing that by something outside the actual mark itself he has distinguished his goods or services...”

(b) Does section 5(4)(a) apply to dissimilar goods?

The second issue that requires consideration, is the scope of application of section 5(4)(a). In Oasis Stores Ltd Application<sup>366</sup> it was held,<sup>367</sup> insofar as the opposition of a mark used in relation to dissimilar goods is concerned, that it was not a requirement for success in passing off proceedings that the parties must be engaged in the same field of activity. It was stated, however:<sup>368</sup>

“It appears to me that the burden of establishing an earlier right under section 5(4)(a) rests on the opponents. The fact that the parties are trading in different fields adds to the evidential burden on the opponents in showing that there is a real risk of confusion or deception. I also bear in mind that where the fields of

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<sup>365</sup> Law of Trade Marks (2001) 359.

<sup>366</sup> Note 346.

<sup>367</sup> Page 644 line 24.

<sup>368</sup> Page 645 line 40-47.

activity are far removed as in this case, it cannot be assumed that even if a small amount of confusion did arise, it would necessarily result in damage to the opponents. In my view, the opponents have not made out their case under this heading. This ground of opposition consequently fails.”

In Corgi Trade Mark<sup>369</sup> dissimilar goods were also involved. In applying the various principles to the facts of the matter, the appointed person accepted<sup>370</sup> that B was the proprietor of a substantial and valuable goodwill built up and acquired in connection with the promotion and sale of Corgi model vehicles over many years, and that it could be damaged in this regard if people were deceived or confused by the use of the trade mark in relation to clothing. It was, however, not necessarily clear that the use of the trade mark Corgi in relation to clothing would in fact be misleading. The appointed person held<sup>371</sup> that it is possible that people would perceive or assume correctly that the same mark was being used by separate businesses trading independently of one another in the field of model vehicles and clothing. The opposition in terms of section 5(4)(a) was, therefore, rejected. However, the principle evident from these cases is that an opposition can take place even if the parties are active in different types of trading.

c) The meaning of earlier rights

Thirdly, the meaning of earlier rights must be considered. In Saxon Trade Mark<sup>372</sup> some members of a band, that later left the band, applied for registration of the band's name. This registration was attacked by the remaining member of the band that continued to perform under the name after they left. The Registrar's view was the following:<sup>373</sup>

“The provisions of s.5(4)(a) allow for a proprietor of an earlier right in relation to the trade mark to prevent the use of a later trade mark. The problem for the applicant [remaining member] is that he has a right to the goodwill in the name SAXON, but from the same date as the registered proprietor, and consequently, cannot succeed in a claim for passing off under s.5(4)(a).”

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369 Note 351.

370 Page 561 line 43.

371 Page 562 line 9.

372 Note 355.

373 Page 715 paragraph 31.

The court rejected this approach, and stated<sup>374</sup> that an opposition does not have to be based on prior use, and gave the example of two traders starting out at the same time. The one who uses it in a specific area, can prevent the other from using it there on the basis of passing off, and can thus oppose an application.

With regard to the interaction of the terms “earlier trade mark” and “earlier right”, a distinction is made by Annand and Norman<sup>375</sup> with reference to section 11 of the 1938 Act. The latter was said to be available to the user of a mark, whether or not it was registered. It is then said that, in contrast, section 5(4)(a) is only available to the owner of an unregistered mark. The better view is, of course, that it is also available to such a user, as there is no indication that the proprietor of a registered mark cannot rely on both user and registered rights.

(d) Quantum of use

Insofar as the quantum of use required is concerned, reference may be made to Wackers Trade Mark.<sup>376</sup> It was stated here by the hearing officer that the distribution of samples worth \$ 1 675 must be regarded, within the context of the toy industry, as being de mimimis.

It can be mentioned in passing that a disclaimer does not affect user rights,<sup>377</sup> and that third parties can rely on other persons’ user rights.<sup>378</sup>

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374 Page 716 paragraph 32 (own emphasis).

375 Blackstone’s Guide to the Trade Marks Act 1994 104.

376 [1999] RPC 453.

377 This was pointed out in Torremar Trade Mark [2003] RPC 4. In this case the court held (page 99 paragraph 43) that the pivotal issue in relation to the objection raised under section 5(4)(a) is whether, at the date of application for registration, normal and fair use of the contested mark in relation to the goods of interest to the applicant would have been likely to deceive or cause confusion by reason of its resemblance to any identified mark or labeling previously used by the opponent in the United Kingdom. The unregistered rights enjoyed by the opponent by that date were not necessarily co-extensive with the rights it had acquired by registration. Moreover, the existence of the disclaimers which limited the scope of its registered rights could not provide the applicant with a defence it would not otherwise have possessed in answer to a claim for passing off (page 99 paragraph 44). The court referred to the case of Antec International Ltd v South West Chicks (Warren) Ltd. [1998] FSR 738. In this case the court stated (page 745) the following:

“The second matter is that, as the Jeyes’ letter correctly surmised, Antec’s registration of its mark was then, and remains subject to a disclaimer in relation to the exclusive use of the words “farm fluid”. The plaintiff’s current mark was registered subject to that disclaimer

### (e) Summary

In summary, section 5(4)(a) introduces the concept of passing off into opposition proceedings based on the prior use of a mark. This is in contrast with various decisions relating to section 11 of the 1938 Act. Nevertheless, some writers consider the test under the previous and current legislation to be similar. The test adopted in various decisions is based on the normal and fair use of the mark as applied for. In narrowing this down, it appears that although passing off requires a consideration of the manner in which a defendant uses a mark, including extraneous matter, the approach followed by most decisions is that it is the mark as applied for that must be considered. Limitations on the registered rights of a mark are not relevant in section 5(4)(a) proceedings. Lastly, reliance can be placed on section 5(4)(a) even by non-proprietors.

### 3.2 Expungement of registrations

In terms of the 1938 Act, section 32 contains a general power to rectify entries, subject, however, to section 13 which provides protection for marks registered in part A for seven years. There is, however, an exception for marks that offend section 11 of the Act.

It is worth noting that in Apollinaris Trade Mark<sup>379</sup> the following was said:<sup>380</sup>

“On behalf of the *Apollinaris Company* an argument was addressed to us to this effect, that as they had in the year 1881 become the sole owners of the produce of the spring, they could now get these marks on the register, and that we ought

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on October 7, 1987. The evidence was that the disclaimer had been insisted upon by the Registry, and that the plaintiff had then taken the view that the bother of attempting to register without the disclaimer was not worth undertaking. Again, I do not think that this evidence of attitudes in 1987 to the words “farm fluid” in the context of the registration of a trade mark enables me to discount in any significant way the other evidence before me of the plaintiff’s goodwill in the name derived from the reputation of its product.”

In other words, a disclaimer in relation to an opponent’s registration does not affect its rights of opposition under section 5(4)(a), it only has a limitation in instances where reliance is placed solely on rights derived from the registration.

378 In Wild Child Trade Mark (note 341) it was stated (page 459 line 53) that there appears to be no requirement in the Act for the opponent of a registration to be the proprietor of an “earlier right” for which protection is claimed.

379 [1891] RPC 137.

not to remove marks which, as soon as we have taken them off, can be put on again. But, even assuming that the respondents are *prima facie* entitled now to be placed on the register, as to which we say nothing, we are of opinion that the course suggested is rendered impossible by the statutory provisions for advertisements. To allow a mark which ought not to have been on the register to remain on by reason of some intervening event would be to preclude the public from challenging the new title of the Applicant for registration.”

In Peddie’s Application<sup>381</sup> it was argued that a mark should not be removed if it is established that, through subsequent events, it could be registered through a new application. It was held that, in general, an applicant for rectification who has shown that the mark attacked was wrongly placed on the Register, is entitled to have it removed notwithstanding subsequent happenings. Otherwise the registration would be left with a date going back to a time when the mark had not qualified for registration.

In considering the invalidation of a registration, a court should thus not have regard to the fact that the registrant would be able to again obtain registration. The dispute must be dealt with on the basis of the status quo.

Section 46 of the current Act contains various provisions for the revocation of a trade mark registration. However, for current purposes, the provisions of section 47 are of more relevance. It is determined, amongst others, that a registration can be invalidated if it is conflict with an earlier mark or an earlier right.<sup>382</sup> The principles discussed above in relation to oppositions would again be relevant.

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380 Page 163 line 27–37 (own emphasis).

381 [1944] RPC 31.

382 Section 47(2).

### 3.3 Registration on the basis of honest concurrent use

#### 3.3.1 The 1938 Act<sup>383</sup>

##### 3.3.1.1 Enabling statutory provision

Section 12(2) provides for the registration of an application on the basis of honest concurrent use or special circumstances.

##### 3.3.1.2 Procedural aspects

In terms of the Javal and Parquet decision,<sup>384</sup> where an application is made to register a mark, and another trader opposes it on the basis that it might interfere with the use by him of a mark in relation to which he has had substantial concurrent use, and alternatively asks that this mark also should be put on the register, he should make a substantive application for registration of his mark. In a proper case, the first application will be ordered to stand over to enable him to do so.<sup>385</sup> However, once either contestant can show that he has used his mark continuously on any goods since before the registration or first use of the mark by the other, he is to be entitled to object to an

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383 In some instances reference will also be made to the provisions of the 1905 Act. Firstly, to section 11, which stated the following:-

“It shall not be lawful to register as a trade mark or part of a trade mark any matter, the use of which would by reason of its being calculated to deceive or otherwise be disentitled to protection in a court of justice, or would be contrary to law or morality, or any scandalous design.”

Secondly, section 19, which reads as follows:

“Except by Order of the Court or in the case of trade marks in use before the thirteenth day of August...[1875], no trade mark shall be registered in respect of any goods or description of goods, which is identical with one belonging to a different proprietor which is already on the register with respect to such goods or description of goods or so nearly resembling such a trade mark as to be calculated to deceive.”

Thirdly, section 21 is relevant:

“In case of honest concurrent user, or of other special circumstances which, in the opinion of the Court, make it proper so to do, the Court may permit the registration of the same trade mark, or of nearly identical trade marks, for the same goods or descriptions of goods by more than one proprietor subject to such conditions and limitations, if any, as to mode or place of user or otherwise, as it may think it right to impose.”

384 [1912] RPC 627.

application for registration under section 12(2). The procedural consequences of disentitling one party to such proceedings to object to a particular step by the other, was not determined under the previous Act. Kerly<sup>386</sup> suggested that those cases should be treated as if the particular section set up some sort of estoppel.

### 3.3.1.3 General principles

The general factors which should be considered in honest concurrent use matters were set out in the decision of Pirie's Application.<sup>387</sup> These include "contingencies of confusion," the duration of use, whether the choice of the mark was honestly made, the nature of the trades of the respective parties, and actual confusion.<sup>388</sup> In considering these factors, regard must be had as well to the hardship involved in refusing registration.

The above principles were applied in Buler Trade Mark.<sup>389</sup> In this matter A applied for registration of the trade mark Buler in relation to watches. This application was opposed by the owner of the trade mark Bulova. A, however, relied on honest concurrent use as a basis for its registration. The court applied the principles set out in Pirie's Application<sup>390</sup> in deciding on the matter.

The first factor considered is the extent of the user. In this regard the position was that A's retail sales were over three times those of B, and the number of watches sold over seventeen times, respectively. The court stated that where an applicant's user is many times greater than that of an opponent, then, even if the period over which such user has taken place is comparatively short, prima facie such applicant should be just as entitled as the opponent to be on the register.<sup>391</sup>

The second factor considered was the likely degree of confusion. The court held that this factor is relatively unimportant under section 12(2), provided that the honesty of the

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385 Kerly Law of Trade Marks 12th edition (1986) Sweet & Maxwell, London.

386 Law of Trade Marks (1986) 160.

387 [1933] RPC 147.

388 Page 159 line 47 – page 160 line 12.

389 [1975] RPC 275.

390 Note 387.

391 Page 289 line 7.

applicant is established and it is otherwise just in all the circumstances that his mark should be registered.<sup>392</sup>

The court considered, thirdly, the question of the honesty of the concurrent use. In this regard there was no evidence or suggestion of dishonesty, improper conduct or ulterior motive on the part of A in adopting and using its mark.<sup>393</sup>

Fourthly, instances of confusion were considered, but it was accepted that the risk of confusion is small.<sup>394</sup> It was then said that if members of the public would think that there is a common trade origin between the watches sold under the respective marks, it was not a very material or decisive matter under section 12(2), once honesty has been accepted.<sup>395</sup>

Lastly, the court stated that, factually, both parties have businesses in the United Kingdom and in numerous foreign countries, and if they have used their marks alongside each other, either of them, if honest, should prima facie be entitled to registration just as much as the other, and the fact that there may have been or will be confusion from time to time is no bar to such registration.<sup>396</sup> In view of all the considerations, the court granted registration to B.

The relevant factors are now discussed in more detail.

#### 3.3.1.4 Duration of use

Insofar as the time for which the mark must have been used is concerned, it seems to depend on the facts of each matter. In Peddie's Application<sup>397</sup> a period of two years and three months was held to be insufficient.<sup>398</sup> In Granada Trade Mark<sup>399</sup> the period concerned was two years and ten months, and the user was on a very substantial scale.

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392 Page 289 line 25.

393 Page 289 line 45.

394 Page 290 line 35.

395 Page 290 line 38.

396 Page 291 line 3.

397 Note 381.

398 But due to special circumstances registration was granted.

399 [1979] RPC 303.

This was held to constitute sufficient use. In Margaret Rose Trade Mark<sup>400</sup> the period of use was four years, but the applicant's mark was considered to be still largely unknown, and the user was held not to be long and extensive enough. In Pup Trade Mark<sup>401</sup> it was said obiter that the use concerned was not sufficient. There the applicant filed its application on the 5th of February 1932, used it since September 1930, and sold 145 000 radio sets.

### 3.3.1.5 Honest use

The central question in a discussion of this provision is the meaning of the term "honest." It was considered in a number of decisions, and these are now reviewed.

#### 3.3.1.5.1 Relevant decisions

The impact of knowledge of a mark featured in the Massachusetts Saw Works case.<sup>402</sup> In this matter A, an American company, applied for the registration of two labels which both included the word Victor. Registration was applied for in relation to hacksaw blades. B, an English company, opposed these applications on the basis of its registered trade mark Victory. The court referred to certain aspects of the case which was considered fatal to B. Thereafter it was stated<sup>403</sup> that whilst it has not been suggested that the use has been other than honest, it had taken place with full knowledge of the mark. Registration was thus refused.

This decision establishes that knowledge of a mark can exclude protection on the basis of honest concurrent use. The ruling does suggest that honesty is a separate issue from knowledge, as the court accepted that the use of A was (in other respects) honest. The question arises as to what those aspects may be. One answer may be the fact that A had been using its mark in the United States and other countries for about fourteen years prior to the hearing.<sup>404</sup> There was no suggestion that there was anything improper

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400 [1978] RPC 55.

401 [1933] RPC 198.

402 [1918] RPC 137.

403 Page 148 line 13.

404 Page 144 line 24.

about the original adoption. But for the presence of knowledge of B's mark, their use might thus have been "honest."

In George Ballantine & Son Ltd v Ballantyne Stewart & Coy Ltd<sup>405</sup> it was said<sup>406</sup> that use was bona fide if the user was someone ignorant of the conditions in the market and of the state of the Register. In the light of such knowledge, the adoption of the mark was held not to be bona fide. The ruling would also support the inference that knowledge of a mark amounts to an exclusion of bona fides.

Other decisions have attached less weight to the fact of knowledge. In Peddie's Application<sup>407</sup> it was said<sup>408</sup> that despite knowledge of a mark, it did not follow that the adoption of the mark concerned was necessarily dishonest.

In Baume and Co Ltd v Moore (AH) Ltd<sup>409</sup> a similar view was adopted,<sup>410</sup> and the approach followed was that the mere fact that a trader is using his own name which too closely resembles a mark of which he is aware does not prevent the use from being bona fide.

This decision is authority for the view that knowledge of a mark, per se, does not exclude the existence of bona fides. Instead, it adopts a somewhat subjective approach, as regard is had to the intention of the user, in particular whether he intended to cause deception, or to divert business to himself through the use of the mark concerned. The latter factors are mentioned frequently in decisions on the issue. It was, for instance, also stated in the Ballantine decision<sup>411</sup> that use is protected if it is bona fide, that is use without the intention to mislead or confuse others or to attract other traders' goodwill. But this criterion in itself does not take the matter much further.

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405 [1959] RPC 47.

406 Page 49 line 28.

407 Note 381.

408 Page 35 line 53 – page 54 line 4.

409 [1958] RPC 226.

410 Page 235 line 31 – line 47 (own emphasis).

411 Note 405.

Both the Ballantine<sup>412</sup> and Baume<sup>413</sup> cases were considered in the decision of Steiner Products Ltd v. Willy Steiner Ltd.<sup>414</sup> In this case A commenced use of the trade mark Steiner in 1934, and B commenced use thereof in 1953. B relied on the defence that it was making bona fide use of its own name. The court stated<sup>415</sup> that the distinction between the said cases lies in the fact that in the Ballantine<sup>416</sup> decision, B were taken to have known of the existence of A's mark, at the time that they made use of their corporate name, and that it was of such a character that the use of their own corporate name as a mark for their product would be liable to cause confusion. The court then stated<sup>417</sup> that it was of importance that B was aware of A's mark, and that in view thereof, the use cannot be considered to be bona fide.

This ruling again attaches great importance to the existence of knowledge about the opponent's mark. On this basis the decision can be aligned with that in the Massachusetts Saw Works case<sup>418</sup> as well. In the Steiner decision<sup>419</sup> it was stated that although the use of a name may be bona fide, one has to consider the circumstances surrounding that use to see whether in fact it is bona fide use. This view can be related, to an extent, to the approach adopted in the Baume case,<sup>420</sup> namely that the mere fact that a trader is using his own name which too closely resembles a registered trade mark of which he is aware does not prevent the user from being bona fide, provided that the trader honestly thought that no confusion would arise and if he had no intention of wrongfully diverting business to himself by using the name. The Steiner decision,<sup>421</sup> however, differs in that the subjective belief of the user was held not to be decisive. This is probably the reason why the court considered the matter to be closer to the Ballantine decision.<sup>422</sup>

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412 Note 405.

413 Note 409.

414 [1964] RPC 356.

415 Page 361 line 48.

416 Note 405.

417 Page 362 line 1.

418 Note 402.

419 Note 414.

420 Note 409.

421 Note 414.

422 Note 405.

In this regard the following statement of Lord Denning, in a minority judgment in Parker-Knoll Ltd v Knoll International Ltd,<sup>423</sup> is instructive:<sup>424</sup>

“Looking to the natural meaning of the words, I would make two observations:- the offending mark must “so nearly resemble” the registered mark as to be “likely” to deceive or cause confusion. It is not necessary that it should be intended to deceive or cause confusion. You do not have to look into the mind of the user to see what he intended. It is its probable effect on ordinary people which you have to consider. No doubt if you find that he intend to deceive or cause confusion, you will give him credit for success in its intentions. You will not hesitate to hold that his use of it is likely to deceive or cause confusion. But if he had no such intention, and was completely honest, then you will look carefully to see whether it is likely to deceive or cause confusion before you find him guilty of infringement”.

This statement brings to the fore that even if the user was bona fide, the court should still have regard to the effect of the use of the particular mark. The following conclusion was reached:<sup>425</sup>

“I would agree at once that, if the use by the defendants of their own name were likely to deceive, they would have no defence, no matter how honest and bona fide they were.”

The initial ruling in Pirie’s Application<sup>426</sup> and the later decision of the House of Lords<sup>427</sup> is of great importance to the issue under discussion. Accordingly, the progress of the dispute through the various forums will be dealt with in considerable detail. A made application for the registration of a trade mark in respect of writing paper. The mark consisted of the words “Abermill Bond Made in Gt. Britain”. The application was opposed by B, the owners of a registered trade mark consisting of the word Hammermill.

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423 [1962] RPC 265.

424 Page 273 line 40–50 (own emphasis).

425 Page 276 line 23 (own emphasis).

426 [1932] RPC 195. Decisions on the various preliminary levels are contained in this report.

427 Note 387.

B had used the mark since 1920. A had used the mark for about six years prior to the date of application for registration. The extent of their trade exceeded that of B.

A's explanation of the origin of their mark Abermill was that it was suggested by one of their travelers, using a contraction of the words "Aberdeen Mill," the name of A's mill at Aberdeen. It was admitted that the person was aware of B's mark. The Registrar made the following finding:<sup>428</sup>

"On the whole, I cannot find that the adoption and user by the applicants of the mark now put forward for registration has been so lacking in good faith that, if they are otherwise qualified for registration under Section 21, I ought to refuse their Application".

B appealed, and the following was then said by Clauson J.<sup>429</sup>

"I should be sorry to brand as dishonest a trader who adopts a trade mark which he honestly thinks to be sufficiently distinctive as compared with a competing mark but which the *Registrar* or the Court, on mature consideration, decides to have such a near resemblance to the competing mark as to be calculated to deceive; but still, in considering whether to exercise in his favour the discretion conferred by Section 21, I should feel bound to give due weight to the circumstance that this mark must be taken to have been all along insufficiently distinctive, although he erroneously thought otherwise. The man who in fact was ignorant of the existence of the competing mark is, as it seems to me, in a more favourable position as regards satisfying the tribunal of hardship than the man who knew of the competing mark and knew of, although he underestimated, the danger of the Court holding his mark to be calculated to deceive. Above all, I should deem it my duty so to weigh the competing factors as to avoid giving any colour to the idea that a trader, who knows of a competing trade mark and knows that he can get his trade mark registered only if he can show within Section 19 that it is not calculated to deceive, can put himself in a more advantageous position by taking the risk of building up commercial claims on

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428 Page 198 line 38 – line 42. Case reference in note 426.

429 Page 206 line 22 – line 40 (own emphasis). Case reference in note 426.

this doubtful mark and, after due time, coming to the Court to claim indulgence under Section 21”.

Initially, the court seemed to consider it of importance that a mark is adopted under the belief that it is indeed sufficiently different from another mark. However, the impact of knowledge of the other mark was held to be decisive, in particular to avoid the situation where a trader attempts to establish sufficient user so as to rely on such use to obtain registration. In view of all the circumstances of the case, the Registrar’s decision was reversed. From this order A appealed to the Court of Appeal.

Lord Hanworth stated that it was clear that the mark was chosen honestly.<sup>430</sup> The following was pointed out by Lawrence LJ:<sup>431</sup>

“The explanation given by the Appellants as to the origin of their Mark negatives any suggestion of deception practised by them.”

From the decision of the Court of Appeal B appealed to the House of Lords<sup>432</sup> which dismissed the appeal. Lord Tomlin made the following statement of fundamental importance.<sup>433</sup>

“My Lords, it has never been suggested throughout this case that the conduct of the Respondents has in the slightest respect been open to criticism, and I should be sorry to place upon this Statute a construction which would brand as statutory dishonesty conduct justified in the eyes of honourable men. There is in fact no ground for doing so. Knowledge of the registration of the opponent’s mark may be an important factor where the honesty of the user of the mark sought to be registered is impugned, but when once the honesty of the user has been established the fact of knowledge loses much of its significance, though it may be a matter not to be wholly overlooked in balancing the considerations for and against registration. In the course of his judgment Mr. Justice *Clauson* said: ‘Above all I should deem it my duty so to weigh the competing factors as to

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430 Page 211 line 19. Case reference in note 426.

431 Page 216 line 12 – line 14. Case reference in note 426.

432 Reference in note 387.

433 Page 159 line 21 – line 42 (own emphasis).

avoid giving any colour to the idea that a trader, who knows of a competing trade mark and knows that he can get his trade mark registered only if he can show within Section 19 that it is not calculated to deceive, can put himself in a more advantageous position by taking the risk of building up commercial claims on his doubtful mark and, after due time, coming to the Court to claim indulgence under Section 21.’ With all respect to the learned Judge, I think in that passage he is attributing to the fact of knowledge an importance which it had lost the moment the honesty of the user was recognised, and that it is this mal-attribution which has coloured his ultimate conclusion”.

The approach encapsulated in this pronouncement is clearly that the fact of knowledge does not preclude a finding of honest user. Instead, it is seen as a factor that could be taken into account in evaluating the considerations in favour and against registration.

The applicant relying on honest concurrent use will have the burden of proving the honesty of the use relied on. In Subbiah Nadar v Kumaraval Nada,<sup>434</sup> it was said that the copying of a prior mark “casts a heavy burden” on the defendant to prove that their use was honest.

The importance of the situation at the stage that use commenced was stressed in Parkington’s Application.<sup>435</sup> A had been using the trade mark Carmen for sherry for a number of years, and he also obtained registration for this mark. B then commenced use of this mark also in relation to sherry. Following a letter of demand from A, B undertook to cease use of this mark. An agreement in this regard was entered into in November 1937. One month prior to the signing of this agreement, B, however, commenced use of the trade mark Del Carmyn. A was unaware of this use. The use came to the attention of A in October 1939 and in January 1940 B filed an application for registration of this mark. In the infringement proceedings that ensued, he relied on honest concurrent use of the mark.

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434 [1946] RPC 187.

435 [1946] RPC 171.

A submitted<sup>436</sup> that the evidence plainly demonstrated a lack of good faith on the part of B in the adoption and use of the trade mark Del Carmyn that amounted, on any reasonable view of the matter, to dishonesty. The court stated<sup>437</sup> that the circumstances which attend the adoption of a trade mark are of considerable importance when one comes to considering whether the use of that mark has or has not been a honest use.<sup>438</sup>

“If the user in its inception was tainted it would be difficult in most cases to purify it subsequently.”

The court had particular regard to the fact that, in its view, B were resolved to get as close to the name of A as they could and were not deterred by any undue respect for A’s interests or what they might regard as their interests or by any scrupulous regard for whether those interests suffered as a result of the adoption of the name Del Carmyn or not.<sup>439</sup> The court also found<sup>440</sup> that the adoption of the mark was accompanied by a deliberate concealment from A who could and would have interfered. The court also made the following statement:<sup>441</sup>

“*Parkingtons* not only knew in the present case of *Robinsons’* mark; they knew that *Robinsons* were actively and jealously preserving that mark... Having regard to the view which I have formed and expressed the application for registration appears to me to fail *in limine* unless anything that is proved to have happened subsequently can be treated as purging the user of what I regard as its original taint. It is not, I think, possible to arrive at such a view.”

Insofar as the concept of honesty is concerned, it was seemingly the approach of the court that section 12(2) does not deal with a particular type of honesty, but related to commercial or common honesty. The latter is probably based on Lord Tomlin’s statement in Pirie’s Application<sup>442</sup> which referred to “conduct justified in the eyes of

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436 Page 181 line 48.

437 Page 181 line 52.

438 Page 182 line 2.

439 Page 182 line 38.

440 Page 182 line 48.

441 Page 183 line 5 – 183 line 23.

442 Note 387.

honourable men.”<sup>443</sup> Insofar as honesty was concerned in the Parkington’s Application case,<sup>444</sup> B was not only aware of A’s mark, it attempted to use it in secret, being aware of the fact that A would not consent to such use. Of importance is the court’s statement that a trader cannot be allowed to use a mark in such circumstances for a number of years and then apply for registration on the basis of honest concurrent use. It was also confirmed that the user of a mark that was dishonest in its inception will in “most” cases not achieve the status of honest use through subsequent events.

The specific disapproval of the proprietor of a registered mark was an issue that also featured in the Bali Trade Mark (no.2)<sup>445</sup> case. Here the parties were involved in a dispute relating to the trade marks Bali and Berlei. The conflict, inter alia, involved opposition proceedings that commenced in 1960 and that were finally resolved in the House of Lords in 1969. A adopted the trade mark Bali in the 1930s. It was not disputed that the adoption was made without reference to, or knowledge of, B’s Berlei mark.<sup>446</sup> The court said<sup>447</sup> that the question of honesty is a pre-requisite to the application of section 12(2), rather than merely a relevant factor in the process of exercising the court’s discretion.

This view deviates from the approach adopted in Pirie’s Application<sup>448</sup> where it was said by Lord Tomlin<sup>449</sup> that honesty in the adoption of a mark is one factor to be taken into account. The court in the Bali Trade Mark (no.2)<sup>450</sup> case saw the use of A as honest, but this was not in its view the end of the matter, as regard must be had to the nature of the use. Reference was then made to the two underlined passages in the above discussion of the judgment of Lord Tomlin in Pirie’s Application.<sup>451</sup> The first passage of the latter that the court referred to in the Bali Trade Mark (no.2)<sup>452</sup> decision reads as follows:

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443 Page 159 line 24.

444 Note 435.

445 [1978] FSR 193.

446 Page 211.

447 Page 220.

448 Note 387.

449 Page 160 line 3.

450 Note 445.

451 Note 387.

452 Note 445.

“With all respect to the learned Judge, I think in that passage he is attributing to the fact of knowledge an importance which it had lost the moment the honesty of the user was recognised, and that it is this mal-attribution which has coloured his ultimate conclusion”.

In relation to this statement, the court in the Bali Trade Mark (no.2)<sup>453</sup> case said:<sup>454</sup>

“If that statement...stood by itself, it would I think be conclusive against any further consideration of the nature of the user, once honesty has been established, but earlier in his speech...Lord Tomlin had said...”

The court then quoted the following statement from Lord Tomlin’s judgment in the Pirie’s Application case:<sup>455</sup>

“Knowledge of the registration of the opponent’s mark may be an important factor where the honesty of the user of the mark sought to be registered is impugned, but when once the honesty of the user has been established the fact of knowledge loses much of its significance, though it may be a matter not to be wholly overlooked in balancing the considerations for and against registration.”

The court, in the Bali Trade Mark (no.2)<sup>456</sup> case, commented as follows on this passage:<sup>457</sup>

“In my judgment, it would be wrong to overlook the nature of the user in the present case. In the present case Bali proceeded to use the mark not merely with knowledge of the existence of Berlei’s mark, but with knowledge of Berlei’s absolute opposition to the use...[W]here the applicant relies upon user which was carried out in the face of persistent opposition from the owner of the existing mark and which, in law, was in the end established to be infringing use, the justice of admitting an application for registration on the basis of honest

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453 Note 445.

454 Page 220.

455 Note 387.

456 Note 445.

457 Page 220–221 (own emphasis).

concurrent use is to some extent, at any rate, questionable, though one must not lose sight of the fact that the user was honest.”<sup>458</sup>

The court thus accepted that A’s use was honest in the sense that there was nothing improper involved in the selection of the mark. However, the fact that use was continued whilst being aware of B’s stringent opposition, otherwise excluded a finding of honest concurrent use. In this regard it is in line with the decision in Parkington’s Application.<sup>459</sup> The effect of the court’s judgment is that despite a finding that A’s adoption was indeed honest, reliance on honest concurrent use was precluded.

It bears mentioning that it has been held in the Portogram Trade Mark case<sup>460</sup> that it is possible for an applicant to withdraw an application and to make a second application so as to obtain the advantage of a longer period of use. It would seem, however, that this approach would not necessarily be effective if the relevant facts are similar to that found in the above decision.

### 3.3.1.5.2 Summary of discussion of honest concurrent use

In summary, in dealing with the issue of honesty, the question as to awareness of the existence of a mark featured in most decisions. Some cases held that the bona fides of the user in a subjective sense is conclusive. This brings one back to the question as to the content of the term honesty. In terms of the Pirie’s Application<sup>461</sup> decision, it would appear that the only remaining factor in formulating the test is the reason for the adoption of the mark, and that this issue is the actual crux of the concept “honest.” The statement<sup>462</sup> by Lawrence LJ that the explanation given as to the origin of A’s mark “negatives any suggestion of deception practised by them” was not disturbed by the House of Lords, and their ruling can only be placed in perspective by having regard to that dictum. It was also specifically thus stated by Lord Tomlin, when enumerating the relevant factors to be considered:<sup>463</sup>

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458 It was also remarked that the present situation is a very much stronger case against the applicant than in the Pirie decision, (note 387) where there had been virtually no protest.

459 Note 435.

460 [1952] RPC 241.

461 Note 387.

462 Page 216 line 12 – line 14. Case reference in note 426.

463 Page 160 line 3 of the House of Lords’ ruling, note 387 supra.

“...The choice of the word “Abermill” was honestly made...”

In the Parkington’s Application<sup>464</sup> decision, the court also laid down the principle that a mark that was tainted in its inception will be purged by subsequent events with great difficulty. The Bali Trade Mark (no. 2) decision<sup>465</sup> is to the effect that even where honesty in the adoption of a mark is present, knowledge of the strong resistance to the use of a mark can exclude reliance on honest concurrent use. It thus seems fair to say that the courts have given the concept of honesty a narrow meaning, relating to the reason for the selection of a mark.

Although, nominally, knowledge of the registration of the opponent’s mark was stated to be an important factor in establishing honesty, it appears to have been treated as a separate aspect. Both factors are important, however, when the wider issue of honest concurrent use is concerned.

### 3.3.1.6 Concurrent use

It can be stated that the conventional position is that A, the applicant, has used his mark for some time. B, the registered proprietor of a mark, has also been using his mark, and now opposes A’s application. There has, therefore, been concurrent use of the respective marks. What is the position, however, where there is no use of the registered mark? This aspect was considered in L’ Amy Trade Mark<sup>466</sup> where B opposed A’s application, amongst other grounds, on the basis of a registered mark. The Hearing Officer found that the opposition in terms of section 12(1) succeeds. The Registrar then adopted the following approach in relation to section 12(2):<sup>467</sup>

“The opponent’s mark that has to be considered under that subsection is not the one they have used but the one on the register. Since there is no evidence that that mark has ever been put into use, I do not think there can be said to have been any concurrent use at all. In my view that phrase means that the

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464 Note 435.

465 Note 445.

466 Note 308.

467 Page 145 line 6 – line 11 (own emphasis).

applicants' use must be concurrent with the opponent's use, not that the applicants' use had been concurrent with the opponent's registration."

The Hearing Officer then went further and pointed out that even if the opponent's registered mark had been in use it would not have been concurrent with the applicant's use since the parties' goods were not sold through the same trade channels, and the word "concurrent" does not have the same meaning as "contemporaneous":<sup>468</sup>

"The provisions of section 12(2) are designed, it seems to me, to recognise and take account of the fact that the relevant public can, by familiarity brought about by concurrent user, learn that there are two similar marks in use and so be educated to the need for examining them with more than ordinary care, and thus to distinguish between them. This requires that the same public have met both marks in the marketplace and that the opportunities for doing so have existed long enough to provide a reasonable opportunity of assessing "the degree of confusion likely to ensue from the resemblance of the marks which is to a large extent indicative of the measure of public convenience"...it being recognised that some degree of confusion is likely. Where, as here, there has been no use of one of the marks or where, again as here, the parties' goods have not been sold side by side in the same market, there has not been any opportunity of testing what degree of confusion is tolerable in the public interest."

The issue of the difference between section 12(1) and 12(2), insofar as whether user can be assumed, was dealt with as follows:<sup>469</sup>

"While the test under section 12(1) rightly assumes user of the registered mark for all the goods for which it is registered, I do not think it right to make such an assumption for the purposes of section 12(2) where the essence of the test is what has actually happened, from which it might be assessed what is likely to happen. In this regard it is more akin to the test under section 11 which may help to explain why concurrent user of a mark, if honest, can accrue to the

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468 Page 145 line 15 – line 30 (own emphasis).

469 Page 145 line 30 – line 37.

benefit of its owner and help to overcome any objection initially taken under that section.”

With regard to any perceived unfairness, the following remarks were made:<sup>470</sup>

“It may seem strange, and at first sight unjust, that an unused registered mark can prevent registration of another mark that is in use and which has been used for several years. The Act provides a remedy however. In these circumstances the applicant for registration is undoubtedly aggrieved by the registration which blocks his own application and he can apply for the register to be rectified by removal of the registered but unused mark.”

The fact that B’s mark was not in use was thus considered to exclude reliance on section 12(2). The phrase “honest concurrent use” was interpreted to mean that the applicant’s use must be concurrent with the opponent’s use, not concurrent with the opponent’s registration. The further aspect is that even if the opponent’s mark had been in use, it would not have been concurrent with the applicant’s use since the parties’ goods were not sold through the same trade channels. It was said that the public should have had the opportunity to consider both marks in the marketplace. It would seem, however, that the fact that the respective marks are not used in the same trade channels would count in favour of A, as this would decrease the likelihood of confusion.

The solution proposed was that the applicant should expunge the unused registered mark. However, it is possible to postulate situations where use of a mark is made on an extensive basis by A, after registration of the mark by B, but where the relevant statutory period required for expungement on the basis of non-use has not yet expired. This approach is thus not a complete panacea. In essence the decision has the effect of penalising the applicant whose mark is opposed by the proprietor of a registered mark that is not being used.

The court in Origins Natural Resources Inc. v. Origin Clothing Limited<sup>471</sup> followed a different approach. Here A launched infringement proceedings against B. A’s mark had not been used. B relied on the concurrent use of its mark.

A submitted that both marks had to be in use side-by-side before section 12(2) could apply. Reliance was placed on the decision of L’Amy Trade Mark.<sup>472</sup> The court, per Jacob J, stated the following:<sup>473</sup>

“I doubt whether *L’Amy* was rightly decided. The concurrence referred to in this section may be of the applicant’s user with the registration of the other proprietor and/or its use. If that is right, then the fact that the proprietor has not been using his mark would not assist him so far as an attempt by a rival to register on the ground of honest concurrent use is concerned. It sticks in one’s gullet to think that a trade mark proprietor is better off *vis-a-vis* a competitor claiming honest concurrence because he has not used his mark than if he has. I do not decide the point however, because, as I say, section 12(2) does not provide a defence to an action.”

This ruling, although obiter, would seem to be preferable as it allows for the situation where the proprietor of the registered mark has not used his mark. It is interesting in this regard that the court used the term “concurrence”, and this is probably a better description for the situation under discussion.

### 3.3.1.7 Relationship with section 11

Various decisions dealt with the question whether registration can be obtained in the face of an opposition based on section 11 of the 1938 Act. Decisions dealing with section 11 of the 1905 Act, whose wording is similar to that of the 1938 Act, also shed light on this aspect, and will be considered first.

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470 Page 146 line 8 – line 13.

471 [1995] FSR 280.

472 Note 308.

473 Page 287.

### 3.3.1.7.1 Decisions under the 1905 Act

The leading case is that of Bass, Ratcliff & Gretton, Ltd v Nicholson & Sons Ltd.<sup>474</sup> Here the court dealt with the relevance of the fact that a mark was used before 1875, in the light of the provisions of section 19 of the above Act. This section reads as follows:

“Except by Order of the Court or in the case of trade marks in use before the thirteenth day of August...[1875], no trade mark shall be registered in respect of any goods or description of goods, which is identical with one belonging to a different proprietor which is already on the register with respect to such goods or description of goods or so nearly resembling such a trade mark as to be calculated to deceive.”

The mark concerned was, indeed, used prior to the relevant date, and could thus be registered notwithstanding the presence of a conflicting mark on the Register. There was, however, no specific provision granting immunity against an opposition based on user by the opponent prior to the date of filing of the application. It was thus contended that the provisions of section 11 were of an absolute nature, and would still prevent registration, whatever the position in terms of section 19 may be. This submission was not accepted by the court.<sup>475</sup>

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474 [1931] RPC 88.

475 Lord Russell of Killowen said (page 107 line 36 – page 108 line 20, own emphasis) that:

“Section 11 prohibits the registration of three things only – namely (1) any matter the use of which would be disentitled to protection in a court of justice; (2) any matter the use of which would be contrary to law or morality; and (3) any scandalous design. An instance is given under the first head of a reason for withholding from particular matter the protection of the court – namely, “its being calculated to deceive”; but it is to be observed that the likelihood of deception which is contemplated by Section 11 need not necessarily flow from any resemblance between the matter proposed to be registered and other matter, or another mark. It might flow from something contained in the matter proposed to be registered, as, for example, a misleading description of the goods upon or in connection with which matter was intended to be used. In short, Section 11 (so far as relevant) is a prohibition in general terms of the registration of matter the use of which would not be protected in the court of justice...The effect of Section 19 in regard to such old marks as fall within that exception seems to me to be reasonably plain. It operates inferentially as a specific authorisation for placing an old mark upon the Register notwithstanding that it may be identical with a mark already there or so nearly resembling it as to be calculated to deceive. Thus one of the cases, (namely, an old mark identical with or closely resembling an already registered mark) which would otherwise fall within the general prohibition contained in the first head of Section 11, is specifically authorised by the operation of Section 19. This authorisation of a specific case must, it seems to me, overrule the general prohibition of Section 11. To put the matter in another way, the fact that Section

Section 19 clearly allowed for the registration of a mark that was in conflict with a registered mark, on condition that the relevant prior use must be established. The issue before the court was, however, whether such prior use could be sufficient to overcome an objection based on the general prohibition constituted by section 11. It would seem, on a strict interpretation of section 19, that it does not relate to section 11. In particular, it appeared that a mark cannot be registered if its use was disentitled to protection in a court of justice. However, the court had regard to the effect of section 19, namely to allow for the registration of a mark in conflict with a registered mark. It was considered that in view of the exemption that that section contains, a mark should also be exempted from section 11. In other words, a mark with prior use was entitled to protection in a court of justice, consequently section 11 was held to be of only general application, and did not override the specific import of section 19.

#### 3.3.1.7.2 Decisions under the 1938 Act

The interaction between section 12(2) and section 11 featured in John Fitton's Application.<sup>476</sup> Here A commenced use of its mark in 1935, and applied for registration thereof in 1945. B opposed this application on the basis of various registrations, the earliest of which dated back to 1938. B commenced use of its mark in 1939. A was thus the prior user. A obtained acceptance of its mark on the basis of section 12(2). In the later opposition proceedings A relied not only on section 12(2), but also on the provisions of section 7 of the Act, which protects use, prior to whatever is the earlier of the registrant's filing date, or date of first use.

A submitted that the provisions of section 7 should operate so as to estop B from opposing A's application under the provisions of section 12(2).<sup>477</sup> B, however, adopted the approach that section 7 was purely declaratory, with the effect that once an applicant has proved the particular facts as to user, the opponent was prevented from relying on its registration as a basis for opposition, but that it was open to the opponent still to rely

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19 excepts this specific case from its prohibition makes its impossible, in my opinion, to say that the registration of an old mark would be registration of matter the use of which would be disentitled to protection in a court of justice".

476 [1949] RPC 110.

on its common law rights.<sup>478</sup> B argued that it would be anomalous if someone, by registering his mark, would somehow lessen his rights of opposing an application on the basis of his use. The Assistant-Comptroller accepted this view.

The decision is to the effect that the junior user of a mark should not be able to oppose the application of the senior user merely because he was the first to register the mark. But it is also stated that the junior user's position should not be worsened. This led the tribunal to conclude that the junior user's right to lodge an objection based on his user is maintained. What was, however, overlooked is the fact that it is not user that is relevant, but only prior user. B was a subsequent user.

The issue was approached differently in Spillers Ltd's Application,<sup>479</sup> where an application was opposed in terms of section 11. The court dealt extensively with the relationship between section 11 and section 12(2). In the a quo proceedings, the Assistant-Comptroller concluded that there was a risk of confusion between the marks insofar as section 11 was concerned, but exercised his discretion in terms of section 12(2) of the Act in order to allow registration of the mark. The court stated<sup>480</sup> that the relevant provisions of the 1938 Act, namely sections 11, 12(1)<sup>481</sup> and 12(2), in effect reproduce the corresponding provisions of the 1905 Trade Marks Act, sections 11, 19 and 21 respectively.

It was argued that as a finding that the application offended section 11 was made, it was not possible to exercise any discretion under section 12(2). In coming to its decision, the court stated<sup>482</sup> that decisions on the corresponding sections of the older Act were applicable to the sections under consideration. The court considered and accepted the Bass decision,<sup>483</sup> discussed above, and then made the following finding:<sup>484</sup>

“[C]ases where the Court or *Registrar* thinks fit to exercise the discretion conferred by Sec.12(2) do not fall within the general prohibition contained in

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477 Page 115 line 27.

478 Page 115 line 34.

479 [1952] RPC 327.

480 Page 334 Line 48

481 This section deals with an opposition based on a registered mark.

482 Page 334 line 54.

483 Note 474.

Sec.11. This being so, it would appear logical in cases which come within Sec. 12(1) to consider first whether the case is one in which the discretion conferred by Sec. 12(2) should be exercised so as to allow registration of the mark, and if the answer is in the affirmative, it cannot be necessary to consider Sec. 11 separately, because if there are reasons other than resemblance to an existing mark which cause the proposed mark to be disentitled to the protection of the Court, such reasons must surely affect the exercise of the discretion conferred by Sec. 12(2). It is not possible, as it seems to me, to apply the provisions of the Act as though they were in separate compartments.”

This approach differs from that in the John Fitton case,<sup>485</sup> in that no rigid distinction is made between section 11 and section 12(2). In a manner of speaking, the court saw section 12(2) as a “melting pot”, in which the considerations pertaining to section 11 are included.

### 3.3.1.7.3 Summary

In summary, both under the 1905 and 1938 Acts specific provision was made for the registration of a mark which was in conflict with a registered mark. In contrast, no provision was made for registration on the basis of concurrent use to overcome an opposition which was founded on section 11, which could include the prior use of a mark. It was, however, decided that the protection for a concurrent user extended to an opposition on the basis of user. It cannot be gainsaid, however, that, strictly speaking, the legislature did not specifically provide for the situation. It would have been a simple matter for the draftsmen of the 1938 Act to make specific provision for this issue. For instance, to provide, as is the position with section 12(1), that the application of section 11 is subject to section 12(2). Presumably, it was felt that the case law was an acceptable regulation of the issue.

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484 Page 337 line 17–26 (own emphasis).

485 Note 476.

### 3.3.1.8 Special circumstances

Insofar as writers are concerned, Kerly<sup>486</sup> suggests that prior use, even if not of a continuous nature, is relevant as it would qualify as a special circumstance as mentioned in section 12(2). He adopts this view with reference to the decision in Holt.<sup>487</sup>

Another decision that is of relevance is the Bud Trade Mark case.<sup>488</sup> Here A, a Czechoslovakian company, filed a trade mark application for the trade mark Bud in relation to beer. It was opposed by B, a United States company, who had also filed an application. The Registrar, however, suspended this application because of the application of the triple identity rule, and he was not prepared to deal with it whilst A's application was pending. The triple identity rule is to the effect that if the marks are identical, the goods are identical, and the areas over which they are going to be sold are identical, the Registrar will not consider the second application.<sup>489</sup>

In a previous passing off matter,<sup>490</sup> the court ruled that the two companies must co-exist in the United Kingdom and that neither can prevent the other's use. The court in this case indicated that the sensible course would have been for both applications to have been considered as the present case was far from a normal one, and the general rule should not have been applied.<sup>491</sup>

The court then stated the following:<sup>492</sup>

“There is no doubt here that there has been honest concurrent use. There is no doubt here that there are special circumstances, the special circumstances being that the customers for both of the beers are accustomed to use the same abbreviation as an abbreviation of the real name which both of them are free to use as against each other. If ever there was a special circumstance, it appears to me that there is a special circumstance”.

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486 Law of Trade Marks (1986) 160.

487 [1957] RPC 289.

488 [1988] RPC 535.

489 Page 549 line 41.

490 [1984] FSR 413.

491 Page 549 line 46.

492 Page 551 line 20–26.

In Terbuline Trade Mark<sup>493</sup> an application was opposed on the basis of two existing registrations. The argument was, however, raised that there was an existing registration for the applicant, which co-existed with these two marks, and that persons will be aware of the applicant's existing registration. Accordingly there will be no likelihood of confusion. This argument was rejected by the Appointed Person.<sup>494</sup> Therefore, no special circumstances were found to exist. It was also said,<sup>495</sup> with reference to the Madam Trade Mark case,<sup>496</sup> that each application must be dealt with on its own merits, and that the acceptance of one mark does not justify the acceptance of another and different mark.

### 3.3.1.9 Staying the proceedings

The question that must be answered in this regard is what the effect of the possible obtainment of a registration on the basis of honest concurrent use is on proceedings instituted prior to such a time. In Berlei (U.K.) Ltd. v Bali Brassiere Co. Inc.<sup>497</sup> the following principle was stated:<sup>498</sup>

“[P]rima facie a plaintiff who has alternative remedies open to him...is entitled to choose his tribunal, and the defendant is not entitled to divert him from his chosen tribunal to some other tribunal of the defendant's choice.”

The issue as to whether an infringement action can be stayed was dealt with extensively in Second Sight Ltd v Novel UK Ltd.<sup>499</sup> Here A applied, in May 1986, for registration of the trade mark Tuxedo in classes 9 and 16. It was registered in September 1989, but A did not use the mark. The registration later lapsed due to non-payment of the renewal fees. The same mark was registered by B in the United States and its goods were advertised in the United Kingdom in January 1990. B was later acquired by C who began to use the mark in the United Kingdom between June 1993 and April 1994 in

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493 [1990] RPC 21.

494 Page 24 line 18.

495 Page 24 line 36.

496 [1966] RPC 541.

497 [1970] RPC 469.

498 Page 477 line 13.

499 [1995] RPC 423.

respect of goods included in A's registrations. C was unaware of its registrations. C applied for registration of the mark in class 9 in September 1994 and in class 16 in November 1994. Reliance was placed on the honest concurrent use of the mark.

A became aware of C's use and secured restoration of its lapsed registrations in June 1994. In July 1994 it issued a Writ for infringement and applied for summary judgment. C applied for the expungement of A's registrations on various grounds, inter alia, on the basis of non-use. A accepted, for the purpose only of the application for summary judgment, that C's evidence established an arguable case of honest concurrent use sufficient to justify registration under section 12(2) of the Trade Marks Act of 1938. Consequently, A's application for summary judgment had to be considered upon the basis that at some time in the future C may succeed in obtaining registration of the trade mark Tuxedo in classes 9 and 16.<sup>500</sup> It was common cause that from the date of such registration C will have an absolute defence to infringement of the marks.

The court thus had to deal with the situation where the plaintiff has a prima facie right to damages and an injunction restraining an infringement, but where the defendant has an outstanding application for registration which will give rise to a backdated defence if successful. The court stated that there are three alternatives.<sup>501</sup>

Firstly, the court may grant a stay of proceedings for infringement pending the outcome of the application for registration.<sup>502</sup> Secondly, the court may allow the case to proceed to trial and after judgment consider the grant of a suspension of any order made pending the outcome of the application.<sup>503</sup> Thirdly, the court may grant full relief at the time, but add a proviso to any injunction to the effect that nothing therein shall prejudice the right of the applicant to proceed with his application for registration, and if successful, to exercise any rights conferred by such registration.<sup>504</sup> The court indicated that the plaintiff is prima facie entitled to proceed with his action, including an application for

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500 Page 432 line 48.

501 Page 434 line 28.

502 This occurred for instance in James & Sons v Wafer Razor Co. Ltd [1932] RPC 597.

503 This was the situation in the decision of Electrolux Ltd v Electrix Ltd [1953] RPC 127.

504 Page 534 line 33.

summary judgment, and to obtain appropriate relief.<sup>505</sup> This relief can, of course, be granted on appropriate terms and remains a discretionary remedy.

The court stated that it would be a requirement for a stay of proceedings for the applicant for registration to have a “seriously maintainable claim” to registration and he must, furthermore, undertake to proceed with the application with “all due diligence.”<sup>506</sup> A stay will only be granted if the court has considered the interests of the parties and then concludes that the granting of a stay would best serve the interests of justice. Of particular relevance would be the grave injustice of depriving a defendant of the opportunity to secure and invoke an absolute defence by a successful application for registration.<sup>507</sup> This will not be applicable in all instances, for example where the applicant cannot show that prior to the application for the stay he has done everything reasonable to speed up the application. The court may, however, take into account the availability of an interlocutory injunction to protect the plaintiff in the interim period.<sup>508</sup>

It was also stated<sup>509</sup> that a stay of proceedings is appropriate, in particular, in the instance of a pending application for registration on the basis of honest concurrent use, as this factor on its own would allow the applicant to rely on the back-dated defence created in terms of the statute. However, it was stressed that fairness to the plaintiff may imply that the court should follow one of the other alternatives.

An interesting variation mentioned by the court in this regard, is that of expressly limiting the duration of an injunction to the period for which the proprietor's mark will continue to be registered. This may be apposite in the case of an outstanding application for the expungement of a mark from the Register on the grounds of, for example, non-use, where there is not also such an application for registration.<sup>510</sup> The court then applied the above principles to the matter under consideration and stated the practical implications of a stay of proceedings in the following terms:-<sup>511</sup>

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505 Page 434 line 40.

506 Page 434 line 44.

507 Page 434 line 49.

508 Page 435 line 4.

509 Page 435 line 6.

510 Page 435 line 11.

511 Page 435 line 17–36 (own emphasis).

“I have no doubt that in this case on the evidence before me I should grant a stay in respect of the issue between the parties whether the use by the defendants of their mark in respect of the defendants' goods after the dates of their respective applications for concurrent use registrations have constituted and will continue to constitute trade mark infringement. No criticism can be or has been made of the expedition displayed by the defendants by seeking determination of their applications. I am informed by counsel that the application to remove the plaintiff's registrations can be expected to be determined by the High Court by the end of October this year, but that the defendants' applications before the Registrar for registration, if contested, are likely to take two years. If this is indeed the case, notwithstanding expedition by both parties, this timetable, reminiscent of a bygone age, is totally unacceptable today. I believe that the Registrar (if necessary, encouraged by this judgment) can or will expedite the hearing of the dispute which justice requires should be resolved urgently, and not significantly later than October this year. The urgency of the hearing is accentuated, if, as I am informed by Mr Morcom, the Registrar does not in practice immediately place the mark on the register when he dismisses the opposition to registration, but delays registration until after the expiration of the time for an appeal and, if there is an appeal, judgement on the appeal.”

Weighing all the considerations, the court granted a stay.

In **summary**, this decision deals comprehensively with the issue of the staying of infringement proceedings. The options mentioned are to grant a stay pending the outcome of the application for registration, to allow the matter to go to trial and to consider the suspension of the order afterwards, or to grant full relief, but to add a proviso that the order shall not prejudice the respondent from proceeding with his application for registration. It was made clear that the granting of a stay is a discretionary remedy, and it can only be considered if the applicant has a “seriously maintainable claim” to registration, and proceeds with due diligence. The applicant's user position will thus greatly influence the court's decision whether or not to grant a stay. The interests of justice are of paramount importance.

It can be remarked that it would serve little purpose if an infringement hearing is stayed, but the use concerned, whilst it suffices to convince the Registrar to grant acceptance, is not sufficient to overcome an opposition. In this regard it would appear that a “seriously maintainable” claim for registration would imply use of such an extent that the applicant would be likely to prevail in opposition proceedings.

### **3.3.2 The 1994 Act**

#### **3.3.2.1 The substantive provision**

The relevant provision, section 7(1), reads as follows:

“This section applies where on an application for the registration of a trade mark it appears to the registrar –

that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain, or

that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied,

but the applicant shows to the satisfaction of the registrar that there has been honest concurrent use of the trade mark for which registration is sought.”

The approach the Registrar should then follow is prescribed by section 7(2):

“In that case the Registrar shall not refuse the application by reason of the earlier trade mark, or other earlier right unless objection on that ground is raised in opposition proceedings by the proprietor of that earlier trade mark or earlier right.”

Section 7(3) determines that “honest concurrent use” means such use as would have amounted to honest concurrent use for the purposes of section 12(2) of the 1938 Act.

The decisions under the latter Act, discussed above, will thus be of relevance in this regard.

The reference to other sections is as follows. Section 5(1), (2) and (3) deal with various grounds on which oppositions can be based. Section 5(1) relates to the situation where identical marks and goods are involved. Section 5(2) extends to similar marks for similar goods. Section 5(3) provides for an opposition on the basis that the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or repute of the earlier mark. Honest concurrent use can be raised against the proprietors of various “earlier marks”. These include applications,<sup>512</sup> registered marks, international (UK), Community,<sup>513</sup> and well-known marks entitled to protection in terms of the Paris Convention, or the TRIPS Agreement.<sup>514</sup>

The 1905 and 1938 Acts did not specifically provide that honest concurrent use could be relied on in an opposition on the basis of prior use. The courts, nevertheless, ruled that it was possible.<sup>515</sup> Section 5(4)(a) relates to prior user or an “earlier right,” as a ground of objection. The 1994 legislation, in direct contrast with the 1905 and 1938 Acts, thus enacts specifically that concurrent user can be relevant in the situation where acceptance could otherwise have been refused in view of prior user rights. The position insofar as the remainder of the scope of sections 11 was concerned, not dealing with prior use as such, remains an absolute prohibition. This is enacted by section 7(4)(a) which provides that the so-called absolute grounds of refusal are not affected by section 7(1)(a). Reference is specifically made to section 3. This section excludes registration for marks that are contrary to public policy or to accepted principles of morality, or are of such a nature as to deceive the public. In such circumstances perceived honest concurrent user will not be able to overcome such an objection.

### 3.3.2.2 Criticism

Various writers have commented on this provision.

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512 Section 6(2).

513 Section 6(1)(a)-(b).

514 Section 6(1)(c).

515 See paragraph 3.3.1.7.

Kitchin and Mellor<sup>516</sup> state that this provision introduces into the Act the old law, at least as far as the examination of applications is concerned. This is said to be an uncomfortable formula as far as section 5(3) is concerned. Section 5(3) provides for an opposition on the basis that the use of the later mark, without due cause, would take unfair advantage of, or be detrimental to, the distinctive character or repute of the earlier mark. The writers state that it is difficult to see how the former approach can be applied to section 5(3), which deals with the situation where the goods or services are not similar, a situation that did not arise under the previous Act's section 12(1). In addition, the question as to the likely degree of confusion, a pertinent factor under decisions such as Pirie's Application,<sup>517</sup> would not be applicable as section 5(3) does not require the establishment of a likelihood of confusion. It is thus opined that there is considerable uncertainty as to how an opposition in terms of section 5(3) can be overcome by an applicant's honest concurrent user.<sup>518</sup>

Annand and Norman<sup>519</sup> raise two issues in this regard.

(a) Internal inconsistencies<sup>520</sup>

Firstly, it is said that, historically, a system of honest concurrent use may have been justified at the time of the introduction of legislation regulating the registration of trade marks. Some businesses would register their marks, and others would use it without obtaining registration. Section 12(2) of the 1938 Act was based on these circumstances. Businesses were localised, and it was possible for them to establish goodwill in a particular area without impinging on the rights of other traders. This is seen not to be applicable in the era of the Single Market and satellite television. Businesses also are now more aware of the need to obtain registration of their marks. The question is then posed whether honest concurrent use can be harmonised with a system that accords priority to the applicant that is first to file.

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516 Trade Marks Act 1994 26-35.

517 Note 387.

518 Trade Marks Act 1994 26-36.

519 Blackstone's Guide to the Trade Marks Act 1994 109 -111.

520 Blackstone's Guide to the Trade Marks Act 1994 109 -110.

Secondly, mention is made of the fact that obtaining acceptance of an application is a hollow victory, in that an opponent can object, and prevent registration, or attack a registration that was obtained. It is seen as a waste of time and money.

Thirdly, it is pointed out that the previous Act dealt with the question of a likelihood of confusion. However, section 5(2) includes as a ground of objection also the likelihood of association. It is then argued that this test will be considerably wider than that under the old Act. The writers then state that the inclusion of a provision of the previous Act “when the new Act contains such a cultural revolution for trade marks seems short-sighted in the extreme.”

(b) External inconsistencies<sup>521</sup>

Firstly, in this context, section 7 is said to contradict the mandatory wording of article 4 of the Trade Mark Directive,<sup>522</sup> which states that a mark shall not be registered if it is in conflict with an earlier mark or right. It is also stated that in view of the fact that the Directive imposes clear and unconditional obligations on member states insofar as their domestic laws are concerned, it may satisfy the requirements of the European Court of Justice for a directive to have direct effect. It could, in the view of the writers, even be argued that a mark registered on the basis of honest concurrent use will be invalid, being registered in breach of the Directive.

In the second place, section 7 is seen to be in conflict with the Community Trade Mark Regulation<sup>523</sup> as well. More in particular, article 1(2) is intended to establish the unitary character of any Community Mark. If the United Kingdom Registry is to permit later marks onto the Register, it would undermine Community registrations. The end result is that the country could be acting in breach of the Treaty of Rome.

Thirdly, the writers state that the above reasoning applies equally to the situation where the owner of a prior international trade mark (UK) under the Madrid Protocol is constrained to accept a later domestic registration. As this protocol does not have direct

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521 Blackstone's Guide to the Trade Marks Act 1994 110 -111.

522 First Council Directive 89/104/EEC of 21 December 1998.

523 Council Regulation 40/94/EEC of 20 December 1993.

effect in the law of the United Kingdom, the owner of the earlier mark would be in a weaker position to adopt the approach that the second registration should not have been registered.

The above comments of the writers are discussed later.<sup>524</sup>

### 3.3.2.3 Duration of use

The Registrar deals with this issue in his Working Manual:<sup>525</sup>

“As a starting point, the mark should have been in use for a reasonable period, usually about five years, prior to the application date. This means the other party, against which the applicant is claiming honest concurrent use, has a reasonable time in which to become aware of the applicant, and to make any challenge. It must be stressed however, that this period is only a guideline. Where circumstances dictate otherwise, this period can be reduced (or, indeed, increased). It may be possible to reduce this period if e.g. the applicant has spent a massive amount on advertising his product and/or has had a very good turnover, even though his use only predates his application by a couple of years. Conversely, the period of use may need to be substantially more than five years, if the turnover is so small that it diminishes the weight that can be given to the length of use.”<sup>526</sup>

The use of the applicant must have been, according to the above policy, of an open and public nature, to such an extent that the opponent has had a reasonable period within which to take steps against a perceived infringer. This view is in line with the earlier decision in Parkington’s Application,<sup>527</sup> namely that secret use will be disqualified. The Registrar also makes it clear that the period of five years is only a guideline, and that in appropriate circumstances it can be decreased or even increased. It is interesting to note in this regard the provisions of section 48(1), which state that in certain circumstances the use of a registered mark by a third party cannot be prevented, after a

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524 Paragraph 3.3.2.5.

525 Journal No 6171, Chapter 6 paragraph 11.17.2 (own emphasis).

526 ([http://www.patent.gov.uk/tm/reference/workman/chapt6/sec11\(17\).pdf](http://www.patent.gov.uk/tm/reference/workman/chapt6/sec11(17).pdf)).

527 Note 435.

period of continuous use of five years has occurred, if the proprietor was aware of such use.

#### 3.3.2.4 Application of provision

##### 3.3.2.4.1 The debate in the House of Lords

Insofar as section 7(2) is concerned, it was stated in a debate in the House of Lords by Lord Strathclyde that it creates a procedural mechanism in terms of which it falls to the opponent, rather than the Registrar, to raise an objection. He explained the position as follows:<sup>528</sup>

“So far, that is the same as the position under the existing law. Under the new law, however, if there is opposition from the owner of the earlier mark, the Registrar will have to decide whether the grounds for refusal are made out. If they are based on subsection 1 [of section 5] – that is, the marks are identical and so are the goods or services concerned, - then the application will have to be refused. The fact of honest concurrent use will not be sufficient to defeat the opposition. If, however, the opposition is based on subsection (2) it is necessary to show a likelihood of confusion on the part of the public. In such a case the fact that the two marks have been concurrently used may well make it more difficult to establish that such a likelihood exists. Likewise, if the ground of opposition is that the later mark would take unfair advantage of the earlier mark’s reputation, the fact that the two have co-existed in the marketplace may have a bearing on the outcome.”

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528 Hansard (HL) 14 March 1994, Col. 71.

### 3.3.2.4.2 The Registrar's policy

The Registrar's practice<sup>529</sup> is the following:

- a. Where the later application is for an identical mark and covers the same goods/services the Registrar will consider whether mandatory refusal under section 5(1) is appropriate and is likely so to decide, unless the applicant can amend his application (eg reduce his specification) so as to avoid the application of Section 5(1). In particular cases an interlocutory hearing may be necessary.
- b. Where the later application is for an identical mark and the goods are similar or where the marks are similar and the goods are identical or where both the marks and goods are only similar (as specified at 5(2)) the matter of whether the application offends Section 5(2) will be determined through the normal procedures as set down in the 1994 Act and rules."

### 3.3.2.4.3 Case law

The mechanism contained in section 7 featured in Road Tech Computer Systems Ltd v. Unison Software UK Ltd,<sup>530</sup> an infringement action. A supplied computer software intended primarily for use in relation to road transport under the trade mark "Roadrunner." Being applications software, the products were also used in related fields such as warehousing, courier services and shipping agency services. B provided backup software sold under the trade mark "RoadRunner." A relied on honest concurrent use as a defence in infringement proceedings. In rejecting the defence, the court stated the following:<sup>531</sup>

"As regards the point under section 7(2), Mr Arnold concedes (for the purposes of the summons only) that the defendant would, on the facts, have an arguable case for honest concurrent use. But the plaintiff's evidence makes clear that the

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529 At: <http://www.patent.gov.uk/tm/reference/practice/pdn06.htm>.

530 [1996] FSR 805.

531 Page 813 (own emphasis).

defendant's application for registration of its mark is and will be opposed by the plaintiff, and Mr Arnold submits that section 7(2) of the 1994 Act must therefore shut out the defendant's application. Mr Miller submits that that is not what section 7(2) says: the effect of opposition, he says, is that non-refusal of registration (on the relevant ground) ceases to be mandatory, not that refusal becomes mandatory ... It seems to me that Mr Miller is right, in the most literal sense, in his comment on the language of section 7(2), but not in the conclusion which he seeks to draw from it. "Shall not refuse the application by reason of the earlier trade mark...unless ..." is a slightly awkward formulation but its form is no doubt dictated by the possibility of other compelling grounds for refusal (that is reflected in section 7(4)(a)). Nevertheless there can be only two eventual outcomes to an application – registration or refusal – and in the absence of any words conferring a discretion on the registrar I think it is reasonably clear that refusal is mandatory under section 7(2) if the proprietor of the earlier registered mark objects."

The further case that must be considered in this context is Codas Trade Mark.<sup>532</sup> Here A used the mark Codas in relation to software used in the oil industry. B had a registration for the word Coda, which covered software. It appeared that the marks were used concurrently for about fourteen years, without any reported instances of confusion.<sup>533</sup> B, relying on the Roadrunner case,<sup>534</sup> adopted the view that the Registrar did not have any option other than to refuse the application. The Registrar briefly set out the procedure involved.<sup>535</sup>

If an application is in conflict with an earlier mark or right, an objection will be raised by him. However, if an applicant is able to show, to the satisfaction of the Registrar, that there has been honest concurrent use of the trade mark, the application may be accepted and published.<sup>536</sup> If the concurrent use has not been in relation to all the goods or services for which the application has been filed, acceptance will be issued

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532 At <http://www.patent.gov.uk/tm/legal/decisions/000/037200.bdf>. The decision is by Mr M Foley, for the Registrar, the Comptroller General.

533 Page 11 line 7.

534 Note 530.

535 Page 8 line 40 – page 9 line 20.

536 Page 9 line 1.

only in relation to those goods or services for which honest concurrent use has been established. If no opposition is filed, the application will be registered in due course.

However, if an opposition is filed, the fact that honest concurrent use has been established at the examination stage cannot overcome the opposition. In the case of identical marks and identical goods or services, section 5(1) will constitute an absolute bar to registration. However, insofar as section 5(2) is concerned, the fact that there has been actual use of the trade mark concerned may be relevant in determining whether there is a likelihood of confusion.<sup>537</sup>

The Registrar accordingly rejected the submission that because the proprietor of the earlier trade mark against which A has claimed honest concurrent use has opposed the application, the provisions of section 7(2) made the refusal mandatory, but added:<sup>538</sup>

“However, as I have already said, the mere fact that there has been honest concurrent use is not a defence, which in itself will save an application, but it is one of the “relevant” factors which should be taken into account in determining whether there is a likelihood of confusion.”

Registration was granted on the basis that A’s class 9 application would be restricted to the use of the products in the operation and management of businesses engaged in oil distribution.

### 3.3.2.5 Commentary

In evaluating these decisions, it is clear that, on a literal interpretation, section 7(2) does, indeed, make the mere fact of objection conclusive. This was the basis of the finding in the Roadrunner case.<sup>539</sup> However, the Codas decision<sup>540</sup> did not follow this approach, neither does the Registrar’s practice. Whilst it is submitted that this should be the result,

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537 Page 9 line 20.

538 Page 9 line 25 - 27.

539 Note 530.

540 Note 532.

de lege ferenda, it must be pointed out that writers do not necessarily motivate this apparent deviation. Morcom,<sup>541</sup> for instance, simply states:

“Of course, this should not be taken too literally; the proprietor must have a *valid* objection.”

In deciding honest concurrence matters, the issue of confusion is, in general, of relevance. This factor could have influenced the outcome of the Roadrunner case<sup>542</sup> when it is considered that the products were different qualitatively. In addition, the parties' customer bases differed. For instance, of a mail shot of 50 000 that B sent to its customers, only two reached customers of A. The court accepted<sup>543</sup> that B had established an arguable case in this regard. Yet this seemingly important fact, directly relating to the issue of a likelihood of confusion, and to which weight should be attached, could not be considered in view of the approach adopted towards the impact of section 7(2). In the Codas decision<sup>544</sup> the lack of evidence of confusion over a number of years of concurrent use was, however, taken into account.

What is the position with provisions which, in contrast with section 5(2), do not involve the issue of confusion? Section 5(3) determines that an application can be opposed on the basis that the use of the later mark, without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the earlier mark. It is arguable that the absence of a likelihood of confusion can be factored into the process of weighing up the evidence in an opposition in terms of section 5(3). It might be that extensive user excludes a finding of unfairness or detriment. It is also interesting to note that in Baywatch Production Co Inc. v The Home Video Channel<sup>545</sup> it was found that confusion as to origin is an inherent requirement for infringement under section 10(3), the infringement provision with wording similar to section 5(3).

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541 Morcom *et.al.* The Modern Law of Trade Marks 144.

542 Note 530.

543 Page 811.

544 Note 532.

545 [1997] FSR 22.

Insofar as section 5(1) is concerned, it appears that there is a divergence between the Registrar's above policy and some decisions. This problematic provision reads as follows:

“A trade mark shall not be registered if it is identical with an earlier trade mark and the goods or services for which the trade mark is applied for are identical with the goods or services for which the earlier trade mark is protected.”

In the Codas decision<sup>546</sup> the Registrar stated that section 5(1) constitutes an absolute bar to registration. However, in terms of his stated practice he will consider whether mandatory refusal under section 5(1) is appropriate, albeit that he is likely so to decide. This view, at least in principle, leaves room for a consideration of the matter. If the absence of the likelihood of confusion is not relevant, all that remains for consideration is the honesty, extent and duration of user, which should be relevant. However, if it is accepted, for argument's sake, that section 5(1) cannot be overcome by honest concurrent use, the question arises whether this distinction is justifiable. Reference can be made, firstly, to the Road Tech Computer case<sup>547</sup> where the goods were the same, and the difference between the marks in essence de minimis. Yet this minute difference would enable the matter to be dealt with in terms of section 5(2). Similarly, in the Codas case,<sup>548</sup> the only difference between the marks was the addition of an “s”. The presence of the latter would again move the matter into the realm of section 5(2). A simple step, such as the addition of a hyphen, would have the same result.

It is submitted that this result is incongruous. An honest concurrent user may also have used his mark in a geographical area removed from that of the proprietor of the earlier mark, for a number of years, without any instances of confusion, yet be unable to use that as a ground for obtaining acceptance. The fact of the matter is that section 7(1)(a) does refer to section 5(1), and effect must be given thereto.

Insofar as criticism of the provision is concerned, in particular the internal inconsistencies pointed out by writers, it is submitted that the position is, factually, that

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546 Note 532.

547 Note 530.

548 Note 532.

some businesses simply do not file trade marks for all relevant goods or services. Furthermore, the “first-to-file” principle does not always constitute the final word in trade mark disputes. To say that prior user rights are protected, and that, at the same time, substantial concurrent use is protected, seems, on a sober assessment, not to be a drastic step. Furthermore, even if honest concurrent use is only applicable in certain instances, or if acceptance amounts to a “hollow victory” it would seem best to retain such advantages that it does offer. The inefficacy of the provision in certain instances should be separated from such fairness that it does bring about. It should also be borne in mind that in the case of section 5(2), which will probably be the provision relied on in the majority of cases, the issue of confusion will indeed be of relevance. For an applicant, thus restricted, the issue of whether there has been honest concurrent use will be of great practical importance.

Insofar as the external inconsistencies are concerned, it is clear, for what it is worth, that section 7 has been in effect for a number of years, and has, as far as is known at the time of writing, not been challenged on the grounds enumerated. In addition, the Act does provide for the proprietors of an international registration (UK) or Community mark, and marks famous in terms of the Paris Convention or the TRIPS agreement, to contest the registration of an application.<sup>549</sup> In any event, as, in the writers' view,<sup>550</sup> an application's acceptance on the ground of honest concurrent use is by and large ineffectual, such persons will then not be prejudiced in a real sense.

#### 3.3.2.3.6 Summary

In summary, the wording of section 7(2) is to the effect that the mere lodging of an opposition to registration by the proprietor of an earlier mark or right, renders the matter conclusive. The section has, however, been interpreted to indeed provide the Registrar with scope to consider the registration of an application in conflict with said rights. Insofar as section 5(1) is concerned, there is a view that an objection under this section cannot be overcome by reliance on honest concurrent use, a view that can be questioned. The latter would, in short, elevate section 5(1) to an absolute ground of refusal, whilst it is now, at least nominally, a relative ground.

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<sup>549</sup> Section 5(1)-(3) read with section 6(1)(a)-(c).

<sup>550</sup> See paragraph 3.3.2.2 (a) supra.

## 3.4 Prior use defence

### 3.4.1 The 1938 Act

#### 3.4.1.1 The relevant provision

Section 7 of the Act provides protection in the event of use prior to the proprietor's filing date, or date of first use, whichever is the earlier.

#### 3.4.1.2 Application of provision

Two particular issues need to be considered here, namely the question as to the goods in relation to which use must be proven, and the meaning of the concept "substantial use".

With regard to the question in relation to which goods must use be established, the decision in Everest (Long Eaton) Ltd v. P.Camm, Ltd<sup>551</sup> is relevant. Here A obtained a registration in 1932 in relation to upholstered chairs. B commenced use of the same mark in the 1920s in relation to wicker and woven fibre chairs. At issue was the use of the mark in relation to open arm upholstered fireside chairs. The court indicated<sup>552</sup> that the word "goods" is not used in section 7 as synonymous with the whole category which is specified in the registration, but is used to refer to the particular goods or species of goods in respect of which the defendant proves user in fact. It appears that although the court used the phrase "species of goods," its finding was made in relation to the specific goods on which B actually used his mark.

In Dreamland Trade Mark<sup>553</sup> it was argued<sup>554</sup> that the words "those goods" where they occur in section 7 must, in view of the context, be interpreted to refer to goods identical with some or all of those in respect of which the mark is registered by the proprietor

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551 [1950] RPC 200.

552 Page 203 line 54.

553 [1952] RPC 219.

554 Page 221 line 48.

referred to. The other view adopted<sup>555</sup> was that the reference to section 12(2) at the end of the section is an indication that the section was not to be confined in this manner. The court, however, decided<sup>556</sup> that the former view is correct, with reference to the Everest decision.<sup>557</sup> The court ruled that in the circumstances of the matter the applicant cannot rely on the provisions of section 7, as the goods concerned are not identical with any of the goods for which the opponent's mark is registered, or in respect of which they have used their mark. Interestingly, it was stated<sup>558</sup> that this finding implies that the defendant's position insofar as obtaining registration in terms of section 12(2) of the Act is concerned, is strengthened, not weakened. This is, of course, in view of the fact that the presence of a likelihood of confusion is a relevant factor in determining whether or not a mark should be registered on the basis of honest concurrent use.

#### 3.4.1.2.2 Substantial use

Insofar as the quantum of use is concerned, it was said in Williams's Ltd v Massey Ltd.<sup>559</sup> that the use must be substantial. In Concorde Trade Mark<sup>560</sup> the following was said in this regard:<sup>561</sup>

“Plainly, “substantial” in this context in any particular case has to be considered in relation to the trade concerned. The numbers would be very different for cigarettes from those of, for example, if you were dealing with refrigerators or motor cars. You obviously have to have regard, in considering what is “substantial”, to the particular trade concerned.”

This issue of the meaning of “continuous” was considered in Smith Bartlett & Co. v The British Pure Oil Grease and Carbide Co. Ltd. White Co. Ltd.<sup>562</sup>

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555 Page 221 line 51.

556 Page 222 line 2.

557 Note 551.

558 Page 222 line 9.

559 [1911] RPC 512.

560 [1987] FSR 209.

561 Page 226 (own emphasis).

562 [1934] RPC 157. The plaintiff's mark was registered in 1928. The court said (page 163 line 14 – line 43, own emphasis) the following:

In **summary**, some decisions have stated that the meaning of the term substantial depends on the particular goods involved. It has also been held that user amounting to more than occasional use, and also more as would be sufficient to establish non-abandonment, was required.

### 3.4.2 The 1994 Act

#### 3.4.2.1 The relevant provision

The provisions of section 11(3) are relevant here. This section states the following:

“A registered trade mark is not infringed by the use in the course of trade in a particular locality of an earlier right which applies only in that locality. For this purpose an “earlier right” means an unregistered trade mark or other sign continuously used in relation to goods or services by a person or a predecessor in title of his from a date prior to whichever is the earlier of:-

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“Apart from the matter of pleading, I ask myself whether, on those facts, it can be asserted that the Defendants, from a date anterior to the use or registration of the mark by the Plaintiffs, have continuously used the mark ‘Firrophit.’ I think it would not be sound so to hold, even if, *Smith and Co. Ltd.*, could be held to be predecessors in title to the Defendants. The dates are, as I think, material. The Defendant Company was incorporated in July, 1925. They say they took over the business in January, 1926. The first use of the mark by the Defendants which I hold to be established, was that in July, in 1928, and this was a user in answer to an order sent to *Smith and Co. Ltd.* They applied for a contract for the supply of ‘Firrophit’ in 1930; they did not succeed and finally in January, 1932, they again got a contract for the supply of ‘Firrophit.’ The Section requires the continuous use of the trade mark from a date anterior to the user or registration of the first-mentioned mark, that is to say the registered trade mark which is being considered in an action. It is quite true that, if the Defendants have owned this mark, the fact that they had occasion to use it only on three occasions in some six years would not suffice to show an abandonment, or anything like it. You do not abandon a mark merely by non-user, but a continuous user under Section 41 is directed to something very different. The Act, has, I think with great clearness, put the owner of a registered Trade Mark in a very exceptional position, whether he has used the mark or not, and he is entitled to the exclusive use of it unless under the proviso to Section 41 somebody else is able to show, not an occasional user from a date anterior to the user by the owner of the registered trade mark, but a continuous user by him. The word “continuous” is not one which is capable of strict definition. It does not mean, in the case of a sale of goods, a sale every week or even every month; but in the absence of any documents other than those which I have specified, and of any sales other than those I have mentioned, I should come to the conclusion that there has not been continuous user by the Defendants prior to the date of the Plaintiff’s registration, even if that was sufficient to establish a defence to the Plaintiff’s action.”

- (a) the use of the first-mentioned trade mark in relation to those goods or services by the proprietor or a predecessor in title of his; or
- (b) the registration of the first-mentioned trade mark in respect of those goods or services in the name of the proprietor or a predecessor in title of his;

and an earlier right shall be regarded as applying in the locality if, or to the extent that, its use in that locality is protected by virtue of any rule of law (in particular, the law of passing-off).”

#### 3.4.2.2 Origin of section

Section 11(3) is derived from article 6.2 of the Directive:<sup>563</sup>

“The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, an earlier right which only applies in a particular locality if that right is recognized by the laws of the Member State in question and within the limits of the territory in which it is recognized”.

#### 3.4.2.3 Application of provision

The application of this section is not without some problems. Firstly, the impact of the new infringement provisions must be taken into account. In terms of section 10(1), the goods concerned would be the same. However, in terms of section 10(2), a registration could be infringed by the use of a mark on similar goods. It is of interest here to have regard to the views of Kerly.<sup>564</sup> To illustrate the workings of section 10(2), which provides infringement protection against use on similar goods, the author gives the following example.<sup>565</sup>

“X is proprietor of the mark ‘Revue’ registered in respect of sunglasses as of 1994 and has used the mark on a limited scale on sunglasses since 1996. Y

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<sup>563</sup> Council’s Directive 89/104/EEC of 21 December 1998.

<sup>564</sup> Law of Trade Marks (2001) 388.

<sup>565</sup> Law of Trade Marks (2001) 388.

began to use the mark 'Revue' for spectacle frames in 1996 and rapidly acquired a reputation and goodwill in the locality of his business. The similarity between the goods and the identity of the marks is such that there is a likelihood of confusion. X commences proceedings and Y claims to have a defence under section 11(3) of the 1994 Act. Y has used the mark in relation to spectacle frames from a date prior to the use by X of the mark in relation to spectacle frames or the registration by X of the mark in respect of spectacle frames. It is certainly arguable that Y could sue a third party to prevent them from commencing business in his locality and trading off his reputation and goodwill."

The second aspect is that of the requirement that the use must have been continuously in relation to certain goods and/or services. It has been suggested<sup>566</sup> that this term must be given a reasonable business interpretation.

Thirdly, the question arises as to the meaning of use in a particular "locality." It has been pointed out<sup>567</sup> that during the debate in the House of Lords on this issue, there was considerable discussion as to the possible meaning of locality and whether it should have included a "territory." Lord Strathclyde said the following:<sup>568</sup>

"One can have the concept of locality in the UK. The point is that other European countries have a concept of territory meaning, for instance, a municipal territory. It is a concept that does not exist in the UK. The noble Lord, Lord Macauley of Bragar, explained that one possible definition of the word "territory" would be that covered by a television area. I should probably call that a region rather than a territory. We are trying to avoid creating local marks. For instance, this clause will allow a sign which has a local reputation to be used in the face of a national registered mark within its locality, because trade marks can, of course, be registered or unregistered. An unregistered trade mark can be protected from passing-off in a protected locality so long as it does not cover the whole of the UK."

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566 Kitchen and Merlor Trade Marks Act 1994 26-48.

567 Groom *et.al.* UK Trade Marks Act 1994 A Practical Guide 1997.

568 Hansard (HL) Public Bill Committee, 18 January 1994, column 50.

Some writers state<sup>569</sup> that it would be perverse that a possible defendant who might have national use, which is both continuous and prior, would not automatically have the defence provided by section 11(3). They state that in the circumstances of an unregistered mark that is used nationally, it would seem that the appropriate step for a person who can rely on section 11(3) would be to bring an action for invalidation, or in the alternative, to rely on the additional defence that the use is not likely to cause confusion. They also state that it is to be regretted, and may in fact be a source of some confusion, that an earlier right in section 11 was not defined in the same wide terms as an earlier right in section 5(4)(a) and article 6(2).

The view has been expressed<sup>570</sup> that the Act should be amended to clarify this issue, and to deal with any perceived difference in treatment between section 11(3) and 11(1), which provides that a registered mark shall not be infringed by the use of another registered mark in certain circumstances:

“It is submitted that section 11(3) should either be deleted from the new law altogether, or amended so as to make clear at least that the whole of the United Kingdom can comprise the locality. These alternatives present very different scenarios. Deletion of section 11(3) would mean that a prior user has no protection other than by section 11(1) and through the ability to secure concurrent registration. In many cases that will not be possible. If the provision is retained and amended, it should in the writer’s view be understood to enshrine the prior user’s equitable right to do what he did before, subject only to a genuine ongoing use freed from questions of quantum or substantiality. By this decision alone, one is not committed further to either a “first-to-file” or “first-to-use” system, but a decision is made on a larger question about the limits of monopoly rights.”

The proposed approach would thus establish that rights based on prior use is not of a lower order than those rights derived from registration.<sup>571</sup>

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569 UK Trade Marks Act 1994: A Practical Guide 198.

570 Lyons “Vested rights Unbuttoned: Section 11(3) of the Trade Marks Act 1994” EIPR 608 610 (own emphasis).

571 It should also be mentioned that writers such as Anand and Norman Blackstone’s Guide to the Trade Marks Act 1994 169 have pointed out that the wording of section 11(3) does not match the wording

#### 3.4.2.4 Protection by a rule of law

It is a requirement for the protection of this section that the earlier right in a locality must be protected by a rule of law. Passing-off is then given as an example. The question arises as to what the former phrase can relate to. In this regard it was stated by Lord Strathclyde in the House of Lords:<sup>572</sup>

“We are not aware at present of any other law, apart from passing-off, upon which the owner of a local right could rely, but we do not wish to draft the Bill so tightly as to exclude such a possibility”.

It should be noted that the section places the remedy of passing off in a different role. Normaliter, it is relied on to prevent a third party from using a particular mark. In terms of the provision under discussion, it is used, not as a sword, but as a shield, to ensure the continued use of a mark.

#### 3.4.2.5 When must the earlier right exist?

Lastly, it is necessary to consider the issue as to when the particular earlier right must exist. In terms of its wording, section 11(3) appears to require merely that the earlier right should apply at the time of the infringement and that for the section to apply, it need only be protected at that time. But it would appear to be more correct if the approach is linked to the definition of earlier right so as to qualify it as being a right recognised by law.<sup>573</sup> It is also more consistent with article 6(2) of the Directive. Accordingly, the right can only be earlier if the goodwill was established before the registration. Therefore, in

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of the Directive exactly. They state the following:

“Article 6(2) of the Directive provides that the trade mark shall not entitle the proprietor to prohibit a third party from using an earlier right. Whilst it might seem pedantic to argue that there is difference between “shall not infringe” and “shall not entitle the proprietor to prohibit,” procedurally there is a difference between raising a defence to an infringement action (which is what section 11(3) implies) and claiming that the plaintiff has no cause of action because the trade mark right does not entitle the plaintiff to sue (which is what the Directive implies).”

572 Hansard (HL) Public Bill Committee 18 January 1904 Column 49.

573 Kitchen and Mellor Trade Marks Act 1994 26–49.

the context of the provision as a whole, it is submitted that the goodwill must have been established at the earlier of the registration date or the date of first use by the proprietor.

#### 3.4.2.6 Summary

In summary, the provisions of section 11(3) could be seen as being more strict insofar as the infringement of a mark in relation to similar goods are concerned. It was submitted that the word “continuous” should be given a reasonable business interpretation. Insofar as the relevant area of use being protected is concerned, it was suggested that use in the country as a whole should also be protected, and an amendment of the Act has been proposed. This was seen necessary to ensure equal protection for first-to-file and first-to-use situations. The protection by a rule of law relates primarily to passing off, but it may in theory have a wider application. The wording of section 11(3) does not match that of the Directive. It was also noted that the section casts passing off in the role of being a basis of protection, and not for an attack on a third party. Lastly, it was submitted that the right should exist at the earlier of the other party’s date of registration or first use.

### **3.5 Summary of section on the relevance of prior use in a statutory context**

The conclusions that can be drawn from this section are the following:

#### **3.5.1 Opposition of applications**

Under the 1994 Act provision is made for the opposition of an application on the basis of an earlier application. The 1938 Act provided for a determination of rights procedure in the case of competing applications.

The 1938 Act provided, in section 11, for the opposition of a mark on the basis of prior use. The test was whether, having regard to prior use, not reputation, the court is satisfied that the mark applied for, if used in a normal and fair manner in connection with any goods covered by the registration proposed, will not be reasonably likely to cause

deception or confusion amongst a substantial number of persons. In the authoritative Bali decision<sup>574</sup> it was held that user will suffice.

Section 5(4)(a) of the 1994 Act provides for the opposition of a mark if its use can be prevented on the basis of passing off, and therefore differs from section 11 of the 1938 Act. The test to be applied was held to involve a consideration of normal and fair use of the mark. Writers indicated that the test is different from that involved in a claim for passing off, which would normally require a consideration of all the circumstances of the defendant's trade. It was submitted that the actual manner of use of the mark should not be considered.

### **3.5.2 Expungement of registrations**

Here mention was made of decisions which rejected as relevant the fact that the mark that is to be expunged can be put back on the Register again. In considering the invalidation of a registration, a court should not have regard to the fact that the registrant would be able to again obtain registration. The dispute must, therefore, be dealt with on the basis of the status quo.

### **3.5.3 Registration on the basis of honest concurrent use**

Some cases held that knowledge of a mark excludes protection on the basis of honest concurrent use. In the important decision of the House of Lords in Pirie's Application<sup>575</sup> it was said that knowledge of the opponent's mark may be an important factor where the honesty of the user of the mark sought to be registered is questioned, but if the honesty of the user has been established the fact of knowledge loses much of its significance. It would be a relevant consideration, however, when balancing the considerations for and against registration.

The specific disapproval of the proprietor of a registered mark was an issue that featured in the Bali Trade Mark (no.2)<sup>576</sup> case, and the ruling implies that it would not

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574 Note 306.

575 Note 387.

576 Note 445.

necessarily benefit an applicant to file an application at a later stage to attempt to rely on a longer period of use, if the use was made under opposition.

The meaning given to concurrent use in L' Amy Trade Mark<sup>577</sup> was that the applicant's use must be concurrent with the opponent's use, and that it was not sufficient that the applicant's use had been concurrent with the opponent's registration. However, in the Origins case,<sup>578</sup> it was said the concurrence may be of the applicant's user with the registration of the other proprietor and/or its use.

Insofar as the relationship with section 11 is concerned, the leading case under the 1905 Act, the Bass decision,<sup>579</sup> held that protection was also available insofar as an opposition on the basis of prior user was concerned. In a decision under the 1938 Act, namely that in John Fitton's Application,<sup>580</sup> the court, however, held that the provision dealing with honest concurrent use was to be considered separately from an opposition on the basis of prior use. The issue was approached differently in Spillers Ltd's Application,<sup>581</sup> where the court said that in dealing with applications based on honest concurrent use, section 11 should not be considered separately.

In the Second Sight case<sup>582</sup> it was mentioned that the granting of a stay is a discretionary remedy, and it can only be considered if the applicant has a "seriously maintainable claim" to registration, and proceeds with due diligence. The interests of justice are of paramount importance. The denial of a defence to the defendant was considered to be a "grave injustice", but the court also recognised the need for justice to the plaintiff.

The relevant provision of the current Act, section 7(1)(a), allows the Registrar to accept an application in conflict with prior marks or prior user rights. It is now determined, in contrast to the 1938 Act, that concurrent use can be relied on in the situation where the opposition is based on the prior user of the opponent. A problematic issue, however, is

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577 Note 308.

578 Note 471.

579 Note 474.

580 Note 476.

581 Note 479.

582 Note 499.

whether, in terms of section 7(2), the Registrar has a discretion to consider the merits of an opposition. It was submitted that a discretion is retained.

### 3.5.4 Prior use defence

With regard to the protection for a prior user against infringement under the 1938 Act, it was held in the Everest<sup>583</sup> and Dreamland Trade Mark<sup>584</sup> cases that use in relation to the specific goods was necessary. Insofar as the quantum of use is concerned, it was said in Williams's Ltd v Massey Ltd.<sup>585</sup> that the user must be substantial. In Concorde Trade Mark<sup>586</sup> it was pointed out that the meaning of this term has to be considered in relation to the trade concerned.

Section 11(3) of the 1994 Act provides protection for a prior user in a particular locality, to the extent that his use in that locality is protected by virtue of any rule of law, in particular, the law of passing-off. It was submitted that section 11(3) should be interpreted not to apply only in a locality, but also to a possible defendant who might have national use.

## 4. SUMMARY OF CHAPTER

The findings of this chapter can be summarised as follows.

### 4.1 The relevance of prior use in a common law context

In early decisions it was held that there was a right of property in the trade mark that was being used itself, but later decisions held that the property concerned does not relate to the mark concerned, but to the goodwill which will be injured through its unlawful use. It was seen that there is no general basis of protection for such goodwill, although the term “unfair competition” has been used. In regard to the requirements for protection on the basis of passing-off, it was stated, in cases dealing with passing off in its classic form, that a reputation is a necessary element in order to qualify for

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583 Note 551.

584 Note 553.

585 Note 559.

586 Note 560.

protection. A goodwill in the country is required. On this basis relief was refused to a number of foreign plaintiffs, and English law can accordingly be said to follow the “hard line” approach to the matter.

With regard to the acquisition of rights, it was noted that some decisions held that a new business could be protected even prior to its commencement of trading. Furthermore, even a short period of trading could suffice to provide protection. In cases dealing with geographical disputes, the courts were prepared to grant protection in areas outside of where the plaintiff was actually trading. It could be difficult, however, to decide on disputes where two parties extend their use to a new territory.

With regard to concurrent use, it was noted that it can relate to the exclusive right to use a mark, but a group of plaintiffs can also institute action. It is also possible that the use of a mark by unrelated parties can have the effect that neither party can act against the other. Insofar as the honesty of the adoption of a mark is concerned, the position appears to be that it is possible to obtain protection, even though the plaintiff was aware of the use of the mark by another, prior to adopting same.

#### **4.2 The relevance of prior use in a statutory law context**

It appeared that rights derived from the use of a mark feature in four situations. Firstly, prior use may allow the user to oppose an application on the basis thereof. Secondly, where a mark was already registered, reliance can be placed on such user to have the Register rectified. Thirdly, in the event of honest concurrent use, an application can be based on such use. Lastly, prior user can be relied on as a defence in an infringement action.

In the situation where an application is opposed, or a registration is expunged, it was held under the previous Act that user will suffice, and that it was not necessary to establish that a reputation exists. In terms of the current Act, it is necessary to make out a case of passing off, which differs from that under the old Act. Insofar as the expungement of a registration is concerned, the position is that the grounds are the same as that on which reliance can be placed in opposition proceedings.

With regard to the issue of registration on the basis of honest concurrent use in terms of the previous Act, regard was had to the requirements for registration. The important issue was knowledge of a mark. It appeared that once the honesty of the user had been established, the fact of knowledge lost much of its significance. Under the current Act, there is again provision for the acceptance of a mark on the basis of honest concurrent use, but it was noted that decisions differ on the nature of the Registrar's discretion in this regard.

Insofar as prior use as a defence to infringement proceedings is concerned, cases under the previous Act held that protection is available only in relation to the specific goods on which the mark has been used. It is also a requirement that the use must be substantial, and this was said to be determined by the nature of the industry concerned. Under the current Act, protection is provided for use in a particular locality, if the prior use is of such a nature that it can be protected on the basis of passing off.