

IN THE PATENTS COUNTY COURT

Rolls Buildings,
7 Rolls Buildings,
London EC4A 1NL

Date: 10/05/12

Before:

MR RECORDER DOUGLAS CAMPBELL

Between :

LUMOS SKINCARE LIMITED

Claimant

- and -

(1) SWEET SQUARED LIMITED

(2) FAMOUS NAMES LLC

*(A company formed under the laws of the State of
Nevada, USA)*

(3) SWEET SQUARED (UK) LLP

Defendants

Richard Hacon and Chris Hall (instructed by **Bolt Burdon**) for the Claimant
Denise McFarland (instructed by **Lupton Fawcett LLP**) for the Defendants

Hearing dates: 20th-21st March 2012

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

MR RECORDER DOUGLAS CAMPBELL

Mr Recorder Douglas Campbell:

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Introduction

1. This is an action for passing off. The Claimant is a UK company which distributes skincare products using the mark LUMOS. It is also the successor in title to a predecessor company called Lumos Products Limited, by virtue of an assignment of goodwill dated 1st April 2010. The Claimant relies on the goodwill generated in the mark LUMOS by Lumos Products Limited prior to such date, and also on the goodwill it has itself generated in the same mark following such date. The Claimant complains of the sale of nail care products under the mark LUMOS by the Defendants.
2. The First Defendant is a UK company, and the Third Defendant is a UK limited liability partnership. The trading business of the First Defendant was transferred to the Third Defendant on 30 November 2010. The Second Defendant is a company based in California, United States of America and it manufactures the nail care products complained of. These products were originally distributed in the UK by the First Defendant, but following the transfer such products have been distributed in the UK by the Third Defendant. For reasons which are explained at paragraphs 93-94 below, it is unnecessary to distinguish between the Defendants save where otherwise appears.
3. There is no dispute as to the law. As Lord Oliver said in *Reckitt & Colman Products Ltd v. Borden Inc.* [1990] R.P.C. 341 at page 406:

“The law of passing off can be summarised in one short general proposition—no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying ‘get-up’ (whether it consists

simply of a brand name or trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. . . . Thirdly he must demonstrate that he suffers, or in a quia timet action that he is likely to suffer, damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff."

4. The Defendants deny passing off. The main points taken by the Defendants are (1) that the Claimant's goodwill is very small, even in the context of the skincare products trade; (2) that the nail care products trade is sufficiently different to the skincare products trade such that there is no likelihood of misrepresentation; and (3) that their products are sold to professionals whereas the Claimant's products are sold to end consumers, such that for this further reason there is no likelihood of misrepresentation. The Defendants also say that the mark used in relation to their goods is not LUMOS *simpliciter*, as alleged by the Claimant, but is "FN LUMOS" where FN stands for Famous Names. Famous Names is part of the Second Defendant's name.
5. The action began in the High Court but was transferred into the Patents County Court by order of Mann J on 19 October 2011. Following transfer a case management conference was held before HHJ Birss QC on 20 December 2011. At that hearing HHJ Birss QC made an order defining the list of issues to be resolved at trial. The trial was conducted in accordance with that order.

The issues to be resolved

6. The list of issues ordered by HHJ Birss QC is as follows:
 - (a) *Whether there was a goodwill and/or reputation in the LUMOS mark in relation to skincare products in the UK at April 2010. The use of LUMOS made by Lumos Products Limited between December 2007 and April 2010 is in issue.*
 - (b) *Whether the Claimant is the owner of the goodwill and/or reputation in paragraph (a) above.*
 - (c) *Whether the Claimant was the owner of a protectable goodwill in the LUMOS mark within the UK skincare industry in October 2010. The use made by the Claimant of the LUMOS mark between April 2010 and that date is also in issue.*
 - (d) *Whether the Defendants are the owners of an independent goodwill and/or reputation in the LUMOS mark in the UK in relation to nail care products and products or services directed at the nail care professional.*
 - (e) *Whether or not the Defendants have made misrepresentations to the relevant public, the sub-issues therein being:*

- (i) *The nature of the relevant UK markets in which the Claimant and the Defendants respectively operate, including identification of the relevant consumers therein;*
 - (ii) *Similarities and differences between the markets identified in paragraph (i) above;*
 - (iii) *The likelihood that the Defendants' actions will cause the relevant consumers to be deceived and/or confused;*
 - (iv) *Whether the Defendants' actions have been calculated to deceive;*
- (f) *Whether or not the actions of the Defendants have caused the Claimant to suffer loss and/or damage.*
- (g) *Whether the Defendants intend to continue with the acts of which the Claimant complains.*
- (h) *Whether the First and Second Defendants are jointly liable for their respective actions.*

7. During the course of the trial it became apparent that the significance of some issues had changed. I shall deal with this under each of the relevant headings.

The witnesses

8. Mr Nicholas Brann, the sole director of the Claimant, was the Claimant's main witness. He was a qualified chartered accountant and had worked in investment banking in the City. For the last 11 years he has worked with smaller companies, helping them grow. He did not claim to have any particular knowledge of any part of the beauty industry, save that which he had gained via the Claimant. He gave evidence relating to the Claimant's sales figures and marketing; specific instances of confusion which had come to his attention; and damage to the Claimant if the Defendants' activities continued. In his evidence in chief he corrected a mistake in his statement whereby he had claimed to have been approached by the organiser of the Olympia Beauty trade show with a view to taking a stand at the show held in September 2011. In fact, he had only been invited to attend the show.
9. Mrs Antonia Brann was the founder and company secretary of the Claimant. She was a native Italian speaker but gave her oral evidence in English. She did not claim to have any experience of the beauty industry, save as a consumer and that which she had gained via the Claimant. It was her idea to set up Lumos Products Limited using a particular skincare serum which was produced in Italy. She gave additional evidence relating to the Claimant's marketing, and instances of confusion which she had personally experienced.
10. Ms Camilla Cokell was a paralegal employed at the Claimant's solicitors. She had been asked to perform an analysis of the First Defendant's list of customers, using internet searches, with a view to establishing what products (if any) they offered as well as nail care. She started with a list of 1800 customer names, which was reduced to 600. She explained that the motive for the reduction was to produce a more manageable number, but she did not explain the criteria which were applied in this process. Ms Cokell was unable

to obtain any relevant information on nearly 400 of these 600 customers. Of the 205 customers for which she was able to find information, 105 offered “*skincare/beauty services and/or products*” as well as nail services; 60 only provided nail services; and 40 provided nail services and a range of other beauty services (eg tanning or waxing) not including skincare.

11. Mr Samuel Sweet is a director of both the First and Third Defendants. He has worked in the nail industry since before 1997. He gave evidence as to the close working relationship between the Defendants; the reasons for the choice of name for the product; and as to the Third Defendant’s marketing. He explained that in 2002 he had founded www.salongeek.com, the world’s largest online community for hair, nail, and beauty professionals and drew attention to the discussion of the Defendants’ products on that forum. He stressed that neither he, nor the Second Defendant, had encountered any instances of confusion. He also drew 2 distinctions between the products: the Claimant’s product was a specialist skin care product, offered directly to consumers, whereas the Defendants’ products were for nail care, and offered only to nail care professionals. He also said that he had not sold any of the products complained of to anyone in the Claimant’s database of customers.
12. Mr James Nordstrom is a director of the Second Defendant. He has worked in the professional nail industry for 30 years. His evidence described the nature of the Defendants’ products; the reasons for the choice of name; and its marketing and distribution. He said that all of his customers were nail care professionals and that he had no intention of entering into any other market, let alone the consumer skin care market.
13. Ms Eve Oxberry has worked in the beauty industry as a business journalist since 2003, and is currently the editor of “Professional Beauty” magazine. This solely targets the professional beauty trade and is particularly focussed on salons. It has a monthly circulation of 16-17 000 copies per month. She also organises the annual professional trade show at the ExCel stadium in London, and explained that it had separate areas for spa, skincare, aesthetic medicine, equipment, nails, and supplies. These areas were marked using different colour lighting and carpeting. She had never come across the Claimant’s LUMOS products.
14. Mr James Crook is the director of three companies in the beauty industry, namely Louella Belle, Nails by Mail, and Red Carpet Manicure. Louella Belle sold hair, nail, and beauty products to professionals. Nails by Mail sold various brands of consumer products to the general public. Red Carpet Manicure sold its own brand of manicure products to the general public. He said that the nail industry was a distinct niche within the beauty industry, as seen by the existence of specific nail trade magazines, nail awards, and the segregated sections at trade shows. He had been to a number of trade shows both in UK and abroad, and never come across the Claimant’s LUMOS products. In his witness statement he had said that it was almost impossible to have a brand which catered for the needs of both professional and consumer markets, because the professionals did not want the products which they used to be available for purchase by their own customers. However in cross-examination he accepted that the same brand name could be used for both

markets; that one of his own brands (Essie) was an example of this; and that this was fairly typical in the beauty industry.

15. All of the above witnesses were cross-examined at trial. It emerged in the cross-examination of Mr Sweet and Mr Nordstrom that the Defendants' goods were, or had been, to some extent offered to the end consumer as well as to the professional market. This prompted Counsel for the Claimant to submit that Mr Sweet and Mr Nordstrom were either not being honest, or that they did not know their own businesses very well. I reject the submission that either witness was being in any way less than honest. Nor did it follow that being unaware of these sales meant that they did not know their own businesses very well. The extent of such trade seemed to be very limited in scale and it was not established that either Mr Sweet or Mr Nordstrom was personally aware of such trade. I return to this below.
16. The remaining witnesses for the Defendants were not required to attend for cross-examination. Accordingly I can rely on their evidence as being undisputed. Their evidence was as follows.
17. Ms Marian Newman has been a trained nail technician for 25 years. She is the author of a professional textbook, "The Complete Nail Technician" which is now in its 3rd edition and is the favoured textbook for all nail technicians in the UK. She has designed new nail looks for many celebrities including Kate Moss and Lady Gaga, and has also had over 50 British Vogue covers to her name. She pointed out a number of differences between the nails and beauty/skin market in that: there are nail specific magazines such as Scratch; specific nail awards such as the Nailympics; and that nails have their own segregated area at the two main beauty industry trade shows, ExCel and Olympia. She was aware of the Defendants' products, but not those of the Claimant. She also gave evidence about the difference between professional and retail/consumer markets for nail care: I consider this evidence in more detail below.
18. Ms Louisa-Jan Fryatt is and has since 2005 been the editor of Guild Gazette magazine, which has about 30 000 subscribers in the professional beauty industry. She drew a distinction between the beauty therapy, spa, nails, holistic therapy, and hair sectors of the beauty industry. She also drew a distinction between professional and consumer sectors. She explained that a colleague, Paul Archer, ran the annual Guild Survey of UK beauty salons in order to estimate the market shares of various brands.
19. Mr Paul Archer is, with his wife, responsible for the Guild of Beauty Therapists which is the UK's biggest professional beauty trade body. He gave a statement explaining that he had run the Guild Survey for 17 years. He explained that the Survey was segregated into its relevant sectors, which he identified as skincare products, aromatherapy, waxing, nails, and hair removal. The distinction between skincare products and nail care was reflected in ss 17.1, 17.4-17.5 of the Survey.

20. Mr Ian Archbold is the show director of the Olympia Beauty trade shows. He gave the statement which prompted Mr Brann's correction to his original evidence.

Issues (a) to (c)

- (a) *Whether there was a goodwill and/or reputation in the LUMOS mark in relation to skincare products in the UK at April 2010. The use of LUMOS made by Lumos Products Limited between December 2007 and April 2010 is in issue.*
- (b) *Whether the Claimant is the owner of the goodwill and/or reputation in paragraph (a) above.*
- (c) *Whether the Claimant was the owner of a protectable goodwill in the LUMOS mark within the UK skincare industry in October 2010. The use made by the Claimant of the LUMOS mark between April 2010 and that date is also in issue.*
21. It was not disputed that the assignment dated 1st April 2010 validly assigned to the Claimant whatever goodwill which had been generated by Lumos Products Limited in the LUMOS mark prior to such date. The assignment remains relevant, but for a different purpose as explained below.
22. Nor was it disputed that the relevant date for assessing the Claimant's goodwill was the date when the Defendants commenced the activities complained of: see Arnold J in *Diageo North America Inc v Intercontinental Brands* [2010] RPC 12 at [36] citing *J.C. Penney & Co Inc v Penneys Ltd* [1975] F.S.R. 367 at 381 (Buckley L.J. delivering the judgment of the Court of Appeal), *Cadbury-Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] R.P.C. 429 at 494 (Lord Scarman delivering the opinion of the Privy Council), *Anheuser-Busch Inc v Budejovicky Budvar NP* [1984] F.S.R. 413 at 462 (Oliver L.J., as he then was) and *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd* [1999] R.P.C. 826 at 836 (Chadwick L.J.). Moreover, the parties agreed that this date was October 2010.
23. Hence as Counsel for the Claimant pointed out, without dispute by Counsel for the Defendants, there is no longer any particular significance to the date of April 2010, but only to the date of October 2010. I will therefore consider the first 3 issues together, and in particular consider whether the Claimant had a protectable goodwill in relation to skincare products in the UK in October 2010 having regard to the use made prior to such date.

The facts

24. In his evidence in chief, Mr Brann produced corrected quarterly figures for sales achieved. Mrs Brann explained that there were in fact 4 products, called Lumos One to Lumos Four, but Mr Brann's figures do not distinguish between them. These figures show that the Claimant's UK sales were made up of internet sales, which were made to consumers, and trade sales, which were made to businesses. Total sales averaged about £2000 per quarter from the beginning of 2008 until September 2009, and then gradually rose to about £10 000 per

quarter in September 2010. Nearly all of this was due to trade sales. Internet sales averaged only around £1 000 per quarter.

25. These sums are modest. Moreover, the unit price of Lumos One was originally £120 per bottle until it was reduced at some point to £98. I do not have unit prices for the other Lumos products but they were all described as being premium priced products and it seems that Lumos One was the most commercially important. Hence the sales figures may be divided by a factor of approximately 100 to obtain sales volumes in terms of units. It follows that the Claimant was selling about 100 bottles of Lumos branded product per quarter in October 2010, mostly to businesses.
26. Mr Brann explained that as of 30 October 2010 the Claimant had sold to 37 outlets in the UK, of whom 25 were still selling their products. Mrs Brann gave additional evidence about these outlets. She explained that Wholefoods Market in Kensington, London was a retailer and a highly successful outlet for the Claimant's goods. Other leading retailers approached by the Claimant were Sloane Health in the Kings Road and the Wigmore Pharmacy in London, but she did not explain how much product they purchased from the Claimant. The remaining outlets were "aesthetic clinics" and salons. I describe the nature of these outlets in more detail below.
27. Mrs Brann accepted that it was very seldom that they would get an order from a single customer for as many as 20 bottles, and that after an initial order many outlets would just buy three or four bottles. Mr Brann drew specific attention to a campaign made to a company called Pulse Holdings between July and the end of 2010, which is said to have yielded sales of around £2 000.
28. No other evidence was given about the pattern of orders placed by individual outlets prior to October 2010, despite the small numbers of outlets involved. The upshot is that it is unclear whether the total value of £10 000 per quarter was dominated by sales to a small subset of the 25 outlets, such as Wholefoods Market and Pulse Holdings.
29. The Claimant drew attention to various PR campaigns which they had conducted over the years. It is true that they obtained coverage in a number of UK publications from December 2007 to the summer of 2008, but its own figures show that this coverage did not lead to any significant level of sales – which was, of course, the point of the PR exercise. Mrs Brann herself accepted that this PR campaign was not as successful as they had hoped and that the relevant contract had been terminated accordingly. There was also an article in the Mail on Sunday in May 2010 featuring LUMOS One, upon which some reliance was placed, but the sales figures show that this had only had a limited effect. In particular, Mrs Brann explained that internet sales of LUMOS One went up from around £200 per month (ie about 2 bottles) to in excess of £1 500 in the ensuing month. Mrs Brann did not explain what had happened to sales of LUMOS One after that ensuing month.
30. Both parties relied on additional evidence which they said demonstrated the value of the relevant goodwill. For instance Counsel for the Defendants relied on the fact that in the documentation evidencing the assignment between Lumos

Products Limited and the Claimant on 1st April 2010, the goodwill was valued at only a penny. This, she said, demonstrated that the goodwill was essentially valueless.

31. Mr Brann explained that in the relevant document (which took the form of an invoice between the two Lumos companies) he was not using “goodwill” in the same sense as the law of passing off but to refer to all of the intangible assets of the company. He said that in his view the net book value of the goodwill according to his definition was actually zero, but that he assigned a value of a penny to show there was valuable consideration. He did not attempt to put a “genuine” value on the goodwill for reasons of tax avoidance, and in particular because in his view nothing had been done to generate any profit. He added that his own view of his treatment of the value of the goodwill was supported by that of another investment banker, a former colleague of his called David Anderson. It was not put to him that there was anything improper about this arrangement.
32. In my judgment the quantum attributed to goodwill in the assignment is irrelevant. First, the assignment was made between related companies and was not an arms’ length transaction. Secondly, the figure of a penny was adopted for legitimate tax avoidance reasons and not because it was considered to reflect the true value of the goodwill.
33. For his part, Counsel for the Claimant relied on the fact that £75 000 of investment in the Claimant had been raised in exchange for a stake of 17.6% in the company. This inherently valued the Claimant at £350 000, and since the Company’s physical assets were only about £4 000 it was submitted that the goodwill was actually worth £345 000.
34. I reject this submission. There was no direct evidence as to why the investors actually made their investment. Conversely the evidence did establish that the investors had not made any enquiries as to the value of the goodwill in the brand. It is likely that the investors were investing because of the perceived promise of the business as a whole, including the commercial potential of the products sold and the personalities of its founders, rather than because of any perceptions about the strength of the brand under which the products happened to be sold at the time. The figure of £350 000 is irrelevant.

My findings on issues (a) – (c)

35. I find that there had been only a very modest use of the LUMOS mark by the Claimant and its predecessor in title as at October 2010. The figures are not only very small in absolute terms but are also very small as a proportion of the skincare industry. No precise figures were given for the size of that industry but Mr Sweet exhibited an article from a supplement to The Times newspaper which stated that “*sales of women’s facial skincare products in Britain are expected to generate about £1 billion this year*”. The article is undated but refers to, and presumably post-dates, a product which was “*launched in 2007*”. There was no cross-examination on this evidence, nor did the Claimant put up any alternative figures.

36. In addition both Mr and Mrs Brann's evidence emphasised that they were only targeting a small part of the total skincare market. This was a niche described by the Claimant as "anti-ageing serums". I return to the Claimant's market in more detail below.
37. Moreover, it seems to me that the Claimant's reputation does not extend very far beyond those who have dealt with it directly. The press articles appear to have had little lasting impact. It also seems likely that such sales as the Claimant had obtained prior to October 2010 were due to the direct approaches made by Mr and Mrs Brann to customers such as Wholefoods Market and Pulse Holdings, and (in the case of repeat purchases) because such customers were satisfied with the inherent quality of the goods, rather than because of any attractive power of the LUMOS mark.
38. I therefore find that only a very modest goodwill had been generated in the LUMOS mark in relation to skincare products as at October 2010, and that such goodwill related to a particular niche within that market. The Claimant was the owner of that very modest goodwill.
39. Before going further, it is important to note that (as Counsel for the Claimant stressed) even a very modest goodwill can support an action for passing off. This is demonstrated by *Stannard v Reay* [1967] RPC 589, and *Stacey v 2020 Communications* [1991] FSR 49. Moreover it was not suggested by the Defendants that the Claimant's goodwill was restricted to any specific geographical area.

Issue (d)

- (d) *Whether the Defendants are the owners of an independent goodwill and/or reputation in the LUMOS mark in the UK in relation to nail care products and products or services directed at the nail care professional*
40. It was not suggested that the Defendants owned any independent goodwill and/or reputation in the LUMOS mark in the UK as at the relevant date, ie October 2010, nor that the Defendants' subsequent trading gave rise to any defence. Accordingly neither side submitted that point (d) needed to be considered. I agree.

Issue (e)

- (e) *Whether or not the Defendants have made misrepresentations to the relevant public, the sub-issues therein being:*
 - (i) *The nature of the relevant UK markets in which the Claimant and the Defendants respectively operate, including identification of the relevant consumers therein;*
 - (ii) *Similarities and differences between the markets identified in paragraph (i) above;*
 - (iii) *The likelihood that the Defendants' actions will cause the relevant consumers to be deceived and/or confused;*

(iv) *Whether the Defendants' actions have been calculated to deceive;*

41. I will consider each of the sub-issues in turn. The first is as regards the relevant markets.
- (i) *The nature of the relevant UK markets in which the Claimant and the Defendants respectively operate, including identification of the relevant consumers therein;*

The Claimant's market

42. The Claimant operates in the skincare part of the overall beauty market. I have already described its particular niche as being that of "anti-ageing serums". Its products are sold at a premium price to a narrow range of outlets which I will now describe in more detail.
43. Mr and Mrs Brann both explained that "aesthetic clinics" formed a key part of their target market. Aesthetic clinics were said by Mrs Brann to carry out relatively minor, non-invasive treatments on patients including laser therapy, micro-dermabrasion, chemical peels, micro-needling, transderm therapy, and injectables. She contrasted this with beauty salons which carried out less scientific, lower value and more superficial treatments such as facials, waxing, hair removal, nail care, and fake tanning.
44. Mr Brann said that the Claimant was not interested in beauty salons generally, but only in particular types of beauty salons. In particular he explained that a lot of beauty salons "*are just doing fake tanning and nails, for example*" [my emphasis] and "*we would not want to sell to those*". He said that if beauty salons were doing facials then he would be interested in selling to them. His rough estimate was that 15 000 of the 40 000 beauty salons in the UK would be of interest to the Claimant.
45. Finally Mr Brann explained that the Claimant had found that its products were not suitable for general retail sale since sales assistants lacked the necessary expertise to sell them. This was why "*we targeted really only Whole Foods in this country as being a place that has that level of expertise*".

The Defendant's market

46. The Defendants operate in the nail care market. Their products are described as "Top Coat" and "Bottom Coat", and as the names suggest these are used as coatings for nails. They sell for about £10 a bottle, which is a very different price point to that occupied by the Claimant's products. They are mass market products, a fact stressed by the Claimant with respect to damage.

Nail care as opposed to skin care

47. The evidence from the independent trade witnesses called on behalf of the Defendants, including Ms Oxberry, Ms Newman, Mr Crook, Mr Fryatt, and Mr Archer was all to the effect that the beauty industry was structured in such a way that skin care and nail care markets were distinct market sectors. For

instance the nail care market had its own specialists, its own books, its own magazines, its own area at trade shows, and its own place in industry surveys. None of this evidence was seriously disputed.

48. Neither Mr nor Mrs Brann claimed any expertise in relation to nail care, or any knowledge of the nail care market. The Claimant adduced no evidence from any trade witnesses.

Professional market as opposed to consumer market

49. The Defendants also sought to distinguish the consumer nail care market from the professional nail care market. This distinction was undermined by some facts which came to light during cross-examination.
50. First, postings on Mr Sweet's Salongeek internet forum showed both his wife and his mother in law recommending that professional salons should sell the Defendants' Lumos products to customers as an aftercare item. It was not put to Mr Sweet that he had previously been aware of such postings. Mr Sweet agreed that these were examples of such recommendations but denied that it was widespread. He said that if it happened a lot he would see it in the marketplace.
51. Secondly, it was also put to Mr Sweet that it was possible for consumers to buy the Defendants' Lumos products on eBay. He agreed that this was possible but explained that eBay sales were not supported by the Third Defendant. He added that the Third Defendant shut down any of its customer accounts which were linked to an eBay account, and that it had done so "*multiple times*".
52. Thirdly, Mr Nordstrom's own exhibits included some pages from the Second Defendant's website describing LUMOS bottom coat as being "*beautifully packaged for retail or professional use*". I asked him why his company's website referred to retail at all. He was unable to offer an explanation, but he suggested that it may have been something done early on when starting the company and which should have been revisited.
53. It seems likely that there have been some sales of the Defendants' products to some end consumers somewhere in the world. However the evidence does not establish that such sales were substantial, that they were encouraged by the Third Defendant itself, or that there were any such sales in the UK. I agree with Mr Sweet that if the Defendants' products had been offered to the retail market on any substantial scale then there would have been much more evidence of this. For instance the Claimant could have conducted a trap purchase.
54. In addition Ms Newman gave evidence about the UK nail care market in particular. She said that in her experience the Third Defendant had only ever been dedicated to the professional market and had never appeared in the retail market. This was despite Ms Newman repeatedly suggesting to the Third Defendant that they should sell their LUMOS products into the retail market. Her evidence was unchallenged by the Claimant.
55. The upshot is that so far as the UK is concerned there is no evidence from the Claimant that the Defendants have sold, or intend to sell, to end consumers and

positive evidence from the Defendants (via Ms Newman) that they did not. However Mr Crook's evidence, and the specific matters put to Messrs Sweet and Nordstrom in cross-examination, combine to demonstrate that the distinction between professional and retail nail care markets is not a hard and fast one.

The relevant consumers

56. The relevant consumers for the Claimant's goods are likely to be women interested in high-end skincare products. There was no evidence from any such persons, other than from Mrs Brann herself.
57. The relevant consumers for the Defendant's goods are likely to be beauty professionals providing services to women interested in nail care. Such professionals will bear the likes and dislikes of their own customers in mind. Ms Newman was such a person, and Mr Crook supplied to such persons.

Trade outlets

58. The evidence established that there was a degree of overlap in terms of the outlets through which the products were sold, in that some of the salons where the Defendants' products were sold also sold skincare products.
59. Mr Brann carried out an analysis as at 30 November 2011, which showed that by that time the Claimant was present in 20 aesthetic clinics (selling non-invasive beauty treatments) and in 21 beauty salons that treated nails. Of the 21 salons, seven stocked the Defendants' products but none stocked their LUMOS product so there was no side by side trading.
60. Ms Cokell's survey sought to do a similar exercise but starting from the Defendants' customers rather than from the Claimant's customers. It was not clear that the 200 customers she was able to consider in detail were representative of the original 1800, and her survey did not take matters any further than Mr Brann's evidence.

Marketing channels

61. There was no direct overlap in the way the products were marketed. Mr Sweet explained that the Defendants' products were advertised in specialist beauty industry magazines such as Scratch, The Salon Magazine, and Professional Beauty magazine. The Claimant had not advertised in these or indeed any magazines, but relied on PR and telephone marketing instead.
- (ii) *Similarities and differences between the markets identified in paragraph (i) above;*
62. I can summarise my conclusions under (ii) having regard to the matters set out under (i) above.
63. Both markets are part of the overall beauty industry, but the industry itself is structured in such a way that there is a clear distinction between skin care and nail care. Moreover the Claimant's products occupy a particular niche within

the skin care industry, namely that of specialist and premium-priced products. There is some overlap, although no direct overlap, in the parties' respective customers and in their respective trade outlets. There is no direct overlap in the marketing channels used.

(iii) *The likelihood that the Defendants' actions will cause the relevant consumers to be deceived and/or confused;*

64. I was struck by the fact that the Claimant called no evidence from any of its customers, or indeed from anyone other than the Branns themselves and Ms Cokell (who, it will be recalled, was a paralegal in the Claimant's solicitors). This is striking because the Claimant appeared to know its customers well and to enjoy close commercial relationships with them. All the Claimant had to do was ask its customers whether they had been deceived by the Defendants' marketing, if necessary showing its customers examples of the Defendants' magazine advertising. I appreciate that some of the Claimant's customers may not have wanted to become involved, but only one of them (a Ms Mendez: see below) was ever identified as having refused to assist.

65. Instead Mr Brann had collected together 8 items of evidence which he claimed constituted evidence of confusion "*on the part of our customers and others*". By the time of closing speeches only one of these was relied upon. That was an email which he received from a Ms Sonia MacMillan on 18 January 2011. This email states as follows:

"Hi Nick

We are hoping to go live with our website to sell you [sic] products. My concern is having discussed that you only have 4 products you seem to have a nail product range. (As per LumosTM in professional beauty) Is this a different branch of the company? When I spoke to you last year you said you were thinking of including a cleanser and toner as a possibility but even in this climate might prove a waste so it was not something that was in the pipeline. Where do the nail products come in to it? I look forward to hearing from you but please be aware I am on holiday for 3 weeks as from this weekend"

Many thanks and kind regards

Sonia"

66. It seems that the reference to Professional Beauty was a reference to the Defendants' advertisement in the magazine of that name. A copy of that advertisement is annexed to the end of this judgment. I return to this advertisement below.

67. I would have been assisted by evidence from Ms MacMillan herself as to her reaction to the Defendants' use of the LUMOS mark. Instead the only evidence on this topic came from Mr Brann. He said that Ms MacMillan owned a business called The Cloud Nine Spa in Worthing, and that he recalled

having a discussion with Ms MacMillan in December 2010. He did not know whether she personally administered any skincare, facials, or nails treatments.

68. No reason was given as to why Ms MacMillan did not give oral evidence. In those circumstances I have to assess this email as best I can, bearing in mind the fact that the Defendants have had no opportunity to test its contents by cross-examination. I also bear in mind that its informal nature suggests that a meticulous textual analysis of the language used is inappropriate.
69. It is not clear from Ms MacMillan's email whether her business was at that time a customer of the Claimant. The email appears to be looking forward to a possible future commercial relationship whereby the Claimant's products would be sold on Ms MacMillan's website. This may have led Ms MacMillan to have asked questions which would not normally have occurred to the average end consumer of the Claimant's products if presented with the same advertisement.
70. Moreover the email raises the familiar problem of how to distinguish between mere confusion and deception. In *Phones 4u Ltd v Phone4u.co.uk. Internet Ltd* [2007] RPC 5, Court of Appeal, Jacob LJ said this:

16 The next point of passing off law to consider is misrepresentation. Sometimes a distinction is drawn between "mere confusion" which is not enough, and "deception," which is. I described the difference as "elusive" in Reed Executive Plc v Reed Business Information Ltd [2004] R.P.C. 40. I said this, [111]:

"Once the position strays into misleading a substantial number of people (going from 'I wonder if there is a connection' to 'I assume there is a connection') there will be passing off, whether the use is as a business name or a trade mark on goods."

17 This of course is a question of degree—there will be some mere wonderers and some assumers—there will normally (see below) be passing off if there is a substantial number of the latter even if there is also a substantial number of the former.

18 The current (2005) edition of Kerly contains a discussion of the distinction at paras 15–043 to 15–045. It is suggested that:

"The real distinction between mere confusion and deception lies in their causative effects. Mere confusion has no causative effect (other than to confuse lawyers and their clients) whereas, if in answer to the question: 'what moves the public to buy?', the insignia complained of is identified, then it is a case of deception."

19 Although correct as far as it goes, I do not endorse that as a complete statement of the position. Clearly if the public are induced to buy by mistaking the insignia of B for that which they know to be

that of A, there is deception. But there are other cases too—for instance those in the Buttercup case. A more complete test would be whether what is said to be deception rather than mere confusion is really likely to be damaging to the claimant's goodwill or divert trade from him. I emphasise the word “really.”

71. Hence the boundary lies between the situation where Ms MacMillan merely wondered if there was a connection between the parties, and where she actually assumed there was such a connection. I incline to the former view. Cross-examination of Ms MacMillan would have shed light on whether this was so and, if so, whether Ms MacMillan's assumption was coloured by plans for potential commercial collaboration.
72. I am not surprised that Ms MacMillan does not appear to have attributed any significance to the presence of the letters FN in this advertisement, if indeed she noticed them. These letters are highly stylised and are not obviously linked to the LUMOS mark which appears below. Moreover, although the front of the packaging used for Defendants' physical products bears the letters FN in a similar font above the name LUMOS, the back of that packaging simply has the word LUMOS. I have no doubt that the Defendants' products would simply be referred to as LUMOS in normal practice, and I place no weight on the use of the letters FN as countering the likelihood of deception.
73. As I have already said, this was the only example of alleged confusion which was relied on by the Claimant in closing submissions. However the other examples given by Mr Brann remain relevant since they suggest that Ms MacMillan's views were not typical of those held by actual customers. If Ms MacMillan's views are atypical, it becomes less probable that the Defendants' activities were “*really likely*” to be damaging to the Claimant's goodwill or to divert trade from the Claimant.
74. For instance Mr Brann exhibited an email dated 22nd March 2011 from Shadi Danin, whom he identified as a customer based in Brighton. That email states as follows:

Subject: Professional Beauty

Good morning Nicholas

I was very surprise to see Lumos nail products at the beauty exhibition at Excel.

As a Lumos skincare product is a cosmetutical product and quite expensive and the Lumos nail products sold at nine or ten pounds.

Could you please let me know what is going on and I know it got nothing to do with your company because I ask, but I am not very happy to see Lumos products name being use as a nail product.

Mr Brann said that he talked “*all the time*” to Ms Danin, but that he had not asked her to give a witness statement.

75. Mr Brann also exhibited an email dated 24 May 2011 from the manager of the Spa at Bluebird in Chelsea, who was the Ms Mendez mentioned above. In that email Ms Mendez explained that the Defendants' nail care products had been offered to her via a company called Shellac, and added "*They are obviously trading off your reputation in a very aggressive way ... if this Lumos becomes too big, then our customers will start thinking that Lumos is a range of nail products and not Skincare and this can only be very bad for your image*". Mr Brann said that he had asked Ms Mendez to give a witness statement, but Ms Mendez had indicated that she did not want to get involved.
76. Both of these emails suggest that neither Ms Danin nor Ms Mendez was personally deceived or confused by the Defendants' activities. Instead, they were concerned that the Claimants' reputation, and/or its ability to maintain its prices, might be damaged in the future. Thus they were speculating as to how other people (namely, their own customers) might react if the Defendants were allowed to continue.
77. Neither side suggested that Mr Brann's remaining examples added anything of substance to the above.
78. Mrs Brann also gave evidence to the effect that she had attended the Professional Beauty show on 28 February 2011 and that when she had introduced herself as "Antonia Brann from Lumos" a number of people had thought she worked for the Defendants. However she also explained that whereas the Defendants' Lumos products were actually on sale at this show, the Claimant had decided not to exhibit at it and had no presence there. In those circumstances her evidence is unsurprising, and it was not in the end relied upon.
79. I will set out my conclusions on sub-issue (iii) in the context of considering issue (e) generally below.

(iv) *Whether the Defendants' actions have been calculated to deceive;*

80. The phrase "calculated to deceive" means only that deception occurs, or is a reasonable foreseeable consequence, and does not imply that deception was intended: see *Erven Warnink v J Townend* [1980] RPC 31.
81. No case of intention to deceive was advanced. In any event Mr Sweet and Mr Nordstrom both said that they were aware of the Claimant's name and product via website searches when they chose to use LUMOS for their own products, but both concluded that the Claimant's market was too far away from the nail care market to give rise to any concern. This evidence was not challenged. Hence no separate issue arises under this head.

Issue (e) generally

82. Jacob J, as he then was, said this in relation to this issue at first instance in *Neutrogena Corporation v Golden Limited* [1996] RPC 473, 482:

“The judge must consider the evidence adduced and use his own common sense and his own opinion as to the likelihood of deception. It is an overall "jury" assessment involving a combination of all these factors, see "GE" Trade Mark [1973] R.P.C. 20 297 at page 321.”

See also *A.G. Spalding & Bros v A.W. Gamage Ltd* (1915) 32 RPC 273 at 286–7.

83. Another point stressed in the *Neutrogena* case is the fact that the deception must affect a substantial number of members of the public. As Morritt LJ held when the case reached the Court of Appeal (see [1996] RPC 473, 493):

“There is no dispute as to what the correct legal principle is. As stated by Lord Oliver of Aylmerton in Reckitt & Colman Products Ltd. v. Borden Inc. [1990] R.P.C. 341 at page 407 the question on the issue of deception or confusion is

"is it, on a balance of probabilities, likely that, if the appellants are not restrained as they have been, a substantial number of members of the public will be misled into purchasing the defendants' [product] in the belief that it is the respondents' [product]?"

The same proposition is stated in Halsbury's Laws of England 4th Edition Vol.48 para 148. The necessity for a substantial number is brought out also in Saville Perfumery Ltd. v. June Perfect Ltd. (1941) 58 R.P.C. 147 at page 175; and Re Smith Hayden's Application (1945) 63 R.P.C. 97 at page 101.”

84. In *Neutrogena*, the Claimant's market share was only 0.25% of the relevant market and it was common ground that not all of the Claimant's customers were deceived by the Defendants' mark into believing there was a trade connection. The Claimant won by adducing a substantial quantity of evidence drawn from a large number of sources, which was held to establish the necessary likelihood of deception. The case is a powerful demonstration of the fact that a low percentage share of the overall market does not prevent a Claimant from succeeding, providing that a substantial number of members of the public would be misled into purchasing the Defendants' product in the belief that it is the Claimant's product.
85. Counsel for the Claimant relied on *Stacey v 2020 Communications* [1991] FSR 49 as demonstrating that even a very modest goodwill, which was described therein by Millett J (as he then was) as “*somewhat evanescent*”, could properly found an action for passing off. However that was an interim decision where the only finding was that there was a serious question to be tried. There is nothing in *Stacey* which calls the subsequent decision of the Court of Appeal in *Neutrogena* into question.
86. Counsel for the Claimant also rightly reminded me that a lack of evidence of actual confusion is not determinative. For instance it may be due to lack of side by side trading (as was the case here), or because it never came to light.

87. I have come to the conclusion that no misrepresentation has been established in the present case, for the following reasons.

- (1) As at October 2010 the Claimant's Lumos mark had only a very modest reputation and goodwill, which was limited to high end anti-ageing products in the skin care industry.
- (2) In addition the reputation and goodwill of this mark was substantially limited to the Claimant's small customer base and in particular to those with whom the Branns had personally dealt. There is no evidence that the mark had made any significant impact outside this group. The Claimant's promotional activities, such as the Daily Mail article, had had only a modest and temporary effect on sales.
- (3) Accordingly the number of people who were in a position to whom the Defendants' activities could even amount to a material misrepresentation was very limited.
- (4) There is a clear division between the skincare industry and the nail care industry, although both form part of the beauty industry generally and there are some trade outlets which offer both skincare and nail care products and/or services. This clear division is recognised in the industry's own classification tools, in trade magazines, and in the way in which exhibitions are organised.
- (5) The Claimant's case depends upon establishing that a substantial number of members of the public would be misled into purchasing the Defendants' product in the belief that it was the Claimant's product but the Claimant did not show that there was even a single person in this category. There is nothing like the sort of evidence of customer confusion which was obtained in *Neutrogena*. Nor is there any mass of emails demonstrating customer confusion, such as there was in *Phones4U*.
- (6) Moreover, *Neutrogena*, *Phones4U*, and indeed *Stacey* all involved companies which were both in the same industry. It is more difficult to accept that there is a likelihood of deception where the relevant industries are distinct. It is true that they are both part of the overall beauty industry, but this umbrella term covers a number of distinct areas. The Claimant was unable to give any examples of any other skincare brands being successfully transplanted into the nail care industry.
- (7) The high point of the evidence of confusion was Ms MacMillan's email. As I have said, the evidential weight of this email is small given the lack of cross-examination and the fact that it is not to be interpreted as strictly as a legal document. It is unclear whether Ms MacMillan herself was deceived, or merely confused, and in any event unclear how far her views were influenced by plans for commercial collaboration. Moreover the emails from Ms Danin and Ms Mendez suggest that Ms MacMillan's view was a minority one even within the Claimant's small number of customers.

- (8) The lack of evidence of customer confusion is not in itself surprising bearing in mind the lack of side by side trading. However I noted that the Claimant went out of its way to exhibit hearsay evidence which it said demonstrated confusion among its customers, whilst not calling any direct evidence from its customers.
- (9) Certainly if there had been any deception among the Claimant's 25 or so actual customers then it seems likely that the Claimant would have been the first to know about it, and would have been able to clarify the position before any damage was suffered: see *Teleworks Ltd v Telework Group plc* [2002] RPC 27, a decision of Christopher Floyd QC as he then was.
- (10) As it is, the lack of any such evidence suggests to me that the Claimant's customers may have known that the Defendants were not connected with the Claimant. This certainly appears to have been the view of both Ms Danin and Ms Mendez. Their views cannot be ignored since their emails formed part of the very material which Mr Brann had chosen to include in his evidence on confusion.
88. I have not found it necessary to rely on the distinction between professional and retail trade. I doubt this distinction would have been enough if the parties had been operating in the same market.
- (f) *Whether or not the actions of the Defendants have caused the Claimant to suffer loss and/or damage.*
89. In the light of my previous findings it is not necessary to consider this question, but in case the matter goes further I shall do so.
90. Three types of damage were identified in *Phones4U* at [14]. These were: diversion of trade, injury to the trade reputation of the Claimant in particular, and injury due to frequent confusion with another business. The Claimant relied on only the second and third types of damage.
91. I accept that if I had found that the Defendants' acts amounted to the relevant type of misrepresentation, then the Claimant would have suffered at least the second type of damage. The email from Ms Mendez demonstrates that the Claimant's customers would have been less prepared to pay a premium for the Claimant's high-priced anti-ageing serums if they had believed that the Claimant was also responsible for selling mass-market nail varnishes at a significantly lower price. The Claimant's trade outlets would have been less likely to carry the Claimant's goods for the same reason.
- (g) *Whether the Defendants intend to continue with the acts of which the Claimant complains.*
92. Neither side suggested that point (g) needed to be considered. It was clear that the Defendants intended to continue with the acts complained of.

(h) *Whether the First and Second Defendants are jointly liable for their respective actions.*

93. The Defendants accepted in opening that the First and Second Defendants were jointly liable for acts done prior to the transfer of the First Defendant's business to the Third Defendant on 30th November 2010. The Defendants also accepted that the Second and Third Defendants were jointly liable for acts done subsequent to 30th November 2010, but reserved their position as to damages or an account or profits relating to the period between 30th November 2010 and the date when the Third Defendant was joined to the action, namely 9th March 2012.

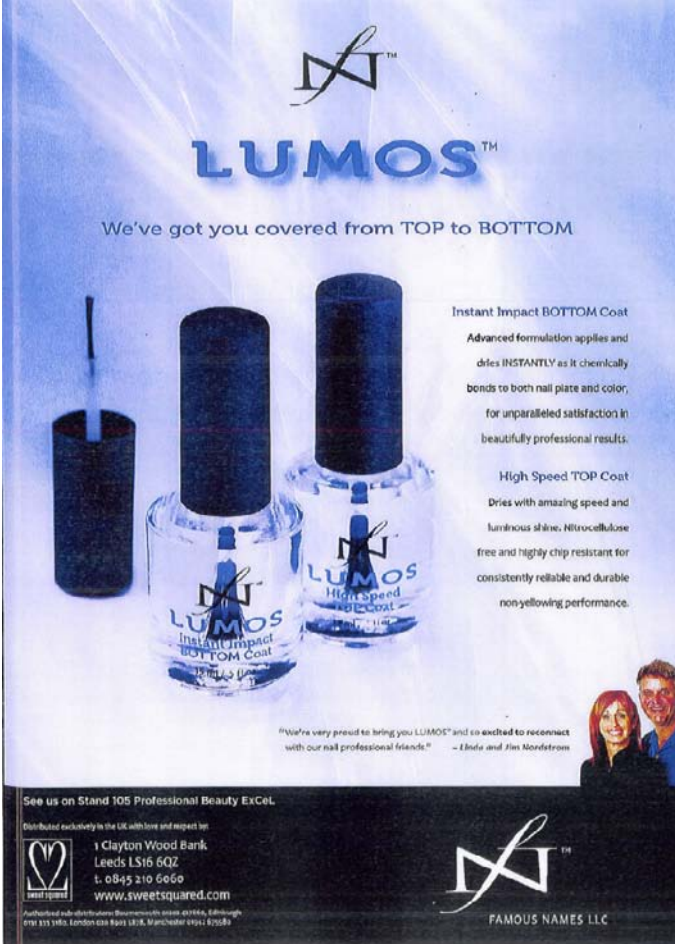
94. Since none of the Defendants is liable, the Defendants' reservation does not arise. However I should not be taken as accepting the proposition that the failure to join the Third Defendant as a Defendant until 9th March 2012 would provide a defence to damages or an account if the Second and Third Defendants had been found to be jointly liable for acts done subsequent to 30th November 2010.

Conclusion

95. For the reasons given above, the action fails.

96. In the event that the parties cannot agree it, I will receive submissions as to the form of Order. As a matter of proportionality, I am prepared to do this on paper if the parties agree to that course.

The Defendants' advertisement



LUMOS™

We've got you covered from TOP to BOTTOM.


Instant Impact BOTTOM Coat
Advanced formulation applies and dries INSTANTLY as it chemically bonds to both nail plate and color, for unparalleled satisfaction in beautifully professional results.

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"We're very proud to bring you LUMOS™ and so excited to reconnect with our nail professional friends!"
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