

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION NO 2209628
BY SEAHOPPER FOLDING KONTENDER LTD
TO REGISTER THE TRADE MARK :
SEAHOPPER**

**AND IN THE MATTER OF OPPOSITION THERETO
UNDER NO 51783
BY SEAHOPPER FOLDING BOATS**

**In the matter of application no 2209628
by Seahopper Folding Kontender Ltd to register
the trade mark SEAHOPPER
and in the matter of opposition thereto under no 51783
by Seahopper Folding Boats**

Background

- 1) On 25 September 1999 Seahopper Folding Kontender Ltd applied to register the trade mark **SEAHOPPER**. The application was published on 30 August 2000 with the following specification in class 12: *portable folding sailing dinghies*.
- 2) On 29 November 2000 Seahopper Folding Boats filed notice of opposition to this application.
- 3) The opponent states that he has acquired a reputation and goodwill in the trade marks SEAHOPPER and SEAHOPPER FOLDING BOATS. He states that the misuse and/or misrepresentation by the applicant for the trade mark in suit has led to confusion and damage to the business and reputation of the opponent. The opponent states that registration of the trade mark in suit would be contrary to the provisions of section 5(4)(a) of the Act.
- 4) The applicant filed a counterstatement. He denies the claims of the opponent.
- 6) Both parties seek an award of costs.
- 7) Both parties filed evidence.
- 8) Following a review of the case the parties were advised that it was considered that an oral hearing could be helpful. However, if the parties preferred a decision could be made from the papers that had been filed. The parties did not request a hearing; nor did they file written submissions in support of their cases. Owing to the conflicting nature of much of the evidence of the parties an oral hearing would certainly have been of assistance. It would have been extremely useful if the two main protagonists, Mr Rea and Mr Walters, had been the subjects of cross-examination. The parties did not request a hearing and I, therefore, have to make a decision on the basis of the evidence before me. Consequently, a decision will be taken from a careful study of the papers. Acting on behalf of the registrar I duly give the following decision.

Preliminary issue

- 9) Section 38 (2) of the Act states:

“Any person may, within the prescribed time from the date of the publication of the application, give notice to the registrar of opposition to the registration.”

In this case the opposition has been lodged by Seahopper Folding Boats. From the evidence before me it is clear that Seahopper Folding Boats is a trading style of Steven Nicholas Rea. It is not a legal person. On the basis of section 38(2) I could dismiss the opposition as it has not been filed by a person, either legal or natural. Throughout the evidence rounds it has been

clear that the issue is between Mr Rea and the applicant. Both parties have treated Mr Rea and Seahopper Folding Boats as being synonymous with each other. In these circumstances I consider that it would be captious to dismiss the opposition on what is very much a technical ground. I will treat the opposition as having been effectively lodged by Mr Rea and give a decision on the substantive issue.

Decision

10) The ground of opposition pursued by the opponent is that of section 5(4)(a) of the Trade Marks Act 1994. The relevant provision read as follows:

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

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

In the instant case the relevant rule of law is the law of passing-off.

11) I intend to adopt the guidance given by the Appointed Person, Mr Geoffrey Hobbs QC in the *Wild Child case* [1998] 14 RPC 455. In that decision Mr Hobbs stated that:

"A helpful summary of the elements of an action for passing off can be found in Halsbury's Laws of England 4th Edition Vol 48 (1995 reissue) at paragraph 165. The guidance given with reference to the speeches in the House of Lords in *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 and *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] ACT 731 is (with footnotes omitted) as follows:

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

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

12) The date at which the matter must be judged is not entirely clear from Section 5(4)(a) of the Act. This provision is clearly intended to implement Article 4(4)(b) of Directive 89/104/EEC. It is now well settled that it is appropriate to look to the wording of the Directive in order to settle matters of doubt arising from the wording of equivalent provisions of the Act. It is clear from Article 4(4)(b) that the earlier right had to have been "acquired prior to the date of application for registration of the subsequent trade mark, or the date of the priority claimed". The relevant date is therefore the date of the filing of the application in

suit.

13) The main evidence is in the form of witness statements from Steven Nicholas Rea for the opponent and Mark Walters for the applicant.

14) Both parties claim rights in the name SEAHOPPER for portable sailing dinghies. Both parties claim to have sold or be selling such goods under this name. With identical trade marks for identical goods confusion and/or deception are certain. Mr Rea has furnished witness statements, which are referred to below, which refer to this inevitable confusion. If there is a goodwill in the business attached to the SEAHOPPER name then damage becomes automatic in these circumstances. The matter of damage was dealt with by Goddard LJ in *Draper v Trist and Trisbestos Brake Linings Ltd* 56 RPC 429:

“But in passing-off cases, the true basis of the action is that the passing-off by the defendant of his goods as the goods of the plaintiff injures the right of property in the plaintiff, that right of property being his right to the goodwill of his business. The law assumes, or presumes, that if the goodwill of a man’s business has been interfered with by the passing-off of goods, damage results therefrom. He need not wait to show that damage has resulted, he can bring his action as soon as he can prove passing-off; because it is one of the class of cases in which the law presumes that the Plaintiff has suffered damage.

It is in fact, I think, in the same category in this respect as an action for libel. We know that for written defamation a plaintiff need prove no actual damage. He proves his defamation. So, with a trader; the law has always been particularly tender to the reputation and goodwill of traders. If a trader is slandered in the way of his business, an action lies without proof of damage.”

15) The passing-off issue in this case, is reduced down to one question: who owns the goodwill in the name SEAHOPPER for portable sailing dinghies? (Presuming that there is a goodwill in the name.)

16) The evidence of Mr Rea gives a narrative of the SEAHOPPER business. Much of this is uncontroversial and uncontested. In the early 1970s Mr Geoffrey Lennard and his late wife formed a partnership which traded as LT Boats. This business designed, manufactured and supplied small boats. After the death of his wife Mr Lennard continued to operate as LT Boats but as a sole trader. In 1974 Mr Rea entered into employment with LT Boats. Mr Rea states that in 1974 he and Mr Lennard designed a folding boat for exploitation by LT Boats. An actual patent for a design of boat is exhibited at exhibit 12 of the witness statement of Mr Walters. This patent is in the sole name of Mr Lennard.

17) From the mid 1970s LT Boats marketed folding boats under the name SEAHOPPER. Mr Rea states that in 1975 Mr Lennard became ill and ceased to have an active rôle in the business. Mr Rea states that from then on the business was managed by him. Mr Rea states that in 1978 Mr Lennard sold the LT Boats business to him, including the goodwill and all title, rights and interests in the subsisting intellectual property. In support of this Mr Rea exhibits at exhibit 1 a deed of assignment between himself and Mr Lennard. This deed of assignment was actually completed on 1 May 2001 and refers back to the position in 1978. (The deed of assignment does raise issues in relation to stamp duty and the effects of section 129 of the Finance Act 2000 as the assignment took place in 1978. However, that Mr Rea

took over the goodwill of the SEAHOPPER business from Mr Lennard is not disputed by the applicant. I will, therefore, say nothing further about this.)

18) The LT Boats trading style was phased out and replaced by the trading style Seahopper Folding Boats and from 1989 traded solely under this title. SEAHOPPER folding boats continued to be produced and sold. In 1989 Mr Rea was joined by a partner in Seahopper Folding Boats, Mr Huggett. Mr Huggett left the business in 1997 when Mr Rea continued as sole trader. Mr Rea exhibits at exhibit 2 an assignment of the goodwill of the SEAHOPPER business to him from Mr Huggett. (This is a similar document to that exhibited at exhibit 1 and my comments in relation to that document are applicable to this one.)

19) Mr Rea states that by the middle of 1998 Seahopper Folding Boats had a valuable and substantial goodwill in folding boats. From the evidence before me I have no doubt that there was a goodwill in the business of producing SEAHOPPER boats. This is not a matter that I believe is in dispute. There is a dispute between the parties as to the scale of the business prior to 1998 but I do not think that anything in this case turns upon this. The matters that have given rise to this opposition arise from events and actions from 1998 onwards.

20) Mr Rea states that he met Mark Henry Walters in June 1998 at the Seahopper Folding Boats stand in the NEC Boat Show where the latter purchased a SEAHOPPER boat. Mr Walters in his statement states that this was not their first meeting. He states that this had taken place in June/July 1997 when Mr Rea telephoned him to say that he had made a prototype three metre boat in response to a previous request for him to make one. (He already owned a 2.4 metre version.) Mr Walters states that Mr Rea and his employee, Mr Furneaux, delivered the boat to him and helped him test it on a nearby lake. Mr Walters states that he agreed to buy the boat. Mr Rea advised him that he was unlikely to make any more of this specific type of boat as it did not meet EU capsizing regulations. Mr Walters states that in September 1997 he contacted Mr Rea and encouraged him to market the boat and suggested that it would meet the regulations which apply to sailing boats rather than to tenders. Mr Walters states that Mr Rea checked if this was the case and proceeded to exhibit the boat – the KONTENDER – at the Earls Court Boat Show in January 1998. Mr Walters states that he purchased the boat in June 1997 and in February 1998 met Mr Rea at the NEC Show in Birmingham where Mr Walters suggested that he might help to market the new boat.

21) Mr Rea states that at the NEC Boat Show in June 1998 Mr Walters showed great interest in the SEAHOPPER boats and in marketing and selling them. Mr Rea states that Mr Walters informed him that he ran a marketing business which traded as Indigo. Mr Walters, he states, proposed that Mr Rea should concentrate on the design and manufacturing of SEAHOPPER boats and leave Indigo to handle the marketing and sales of SEAHOPPER boats. Mr Rea states that he agreed to this proposal and that initially no formal agreement was entered into.

22) Mr Rea states that on or about 23 June 1998 Mr Walters caused a company with the name Seahopper Folding Kontender Ltd (SFK) to be incorporated. He states that Mr Walters was at all material times from the date of incorporation a director and shareholder of SFK. Mr Rea states that he was a director of SFK from 23 June 1998 to 13 July 1999. Mr Walters puts forward a different version of events. He states that between February and June 1998 he met Mr Rea on several occasions and as a result of these meetings SFK was incorporated in June 1998 with the two men as co-directors.

23) Mr Rea states that in October 1999 “a purported agreement” was entered into. He

exhibits at exhibit 5 an unsigned copy of this agreement. I am not sure what Mr Rea means by purported. A signed copy of this agreement is exhibited at exhibit 9 of the statement of Mr Walters. Each of the four pages has been initialled by Mr Rea and Mr Walters. The document has been signed by them and witnessed. I note that the witness for the signature of Mr Rea is Allan Samuel. Mr Samuel has made a witness statement for Mr Rea in his capacity as his accountant. If by “purported” Mr Rea is inferring that he did not sign the agreement he could have, I presume, readily requested Mr Samuel to comment upon his signature as a witness. He has put in no such evidence.

24) The agreement is dated by Mr Rea on 20 January 2000 and by Mr Walters on 18 January 2000. The agreement is reproduced as annex to this decision. Mr Rea says that the folding boats continued to be marketed and sold under the SEAHOPPER trade mark and the SEAHOPPER man device:



He states that he did not at any time have any intention to cease using these signs as badges of his business's goodwill or of abandoning the goodwill of which they were badges. Mr Rea states that at the very most SFK was merely licensed to use his unregistered trade marks pursuant to an implied licence arising from the sales and marketing arrangement by which SFK was marketing and selling the folding boats made by his Seahopper Folding Boats business. Mr Rea states that in these circumstances that the goodwill accrued during the course of the licence agreement, particularly having regard to its limited duration, belongs to his Seahopper Folding Boats business, the manufacturer of those boats. Mr Walters contends, “By the terms of paragraph 3c the new business agreement, (contained in Exhibit 9) entered into from July 1999 to the cessation of the agreement in April 2000, Seahopper Folding Boats was **prohibited** from making, selling or repairing any folding boats other than for SFK Ltd – **in other words SFB from that date, ceased to have the right to use the mark SEAHOPPER.**”

25) Mr Walters states that from July 1998 to April 2000 SFK paid directly the primary costs for all public relations and other advertising activity, including all the major exhibitions at Southampton, Earls Court and the NEC. He exhibits at exhibits 6, 7 and 8 details of advertising, public relations and exhibition expenditure respectively. The various invoices are not linked to exhibits so as to show to what the expenditure specifically related. However, it has not been denied that this expenditure was made in relation to the promotion of SEAHOPPER folding boats and so I accept that it was. Mr Walters gives figures of £9524 for advertising, £10, 212.98 for public relations and £17, 996.16 for exhibitions. However, part of this money was expended after the date of the filing of the application in suit, 25 September 1999, and so must be discounted. The invoices are also made out to a variety of names: Seahopper Folding, Seahopper, Seahopper Folding Dinghies Ltd, Seahopper Boats, Seahopper Folders, Indigo (Seahopper), SFK, Sea Hopper Folding Dinghies, Seahopper Folding Boats. All of the invoices are addressed to SFK's address in Northampton; save for one which is addressed to Wellington. From this evidence I draw the conclusion that from September 1998 Mr Walters expended money in the promotion and advertising of SEAHOPPER folding boats.

I do not believe that this is something that Mr Rea would contend, he states that SFK were selling and marketing SEAHOPPER boats. During the period from July 1999 to April 2000 Mr Walters states that SFK paid suppliers directly for the materials for the building of the boats, owned all of the stock located in Mr Rea's factory and paid Mr Rea directly on a weekly basis for the labour incurred in making finished products and for the workshop overheads.

26) Mr Walters states that SFK had made initial applications for the SEAHOPPER KONTENDER trade mark together with the SEAHOPPER logo trade mark whilst Mr Rea was a co-director. He states that he reminded Mr Rea in a letter dated 18 October 1999 (exhibited at exhibit 10 to the declaration of Mr Walters) that he was continuing to pursue these two applications. Mr Walters states that this letter emanates from after Mr Rea had ceased to be a director.

27) Mr Walters states that at no time from June 1998 onwards was Seahopper Folding Boats allowed to market or sell the SEAHOPPER KONTENDER. Mr Walters states that Mr Rea gave up any personal goodwill in this trade mark when he co-founded SFK. Mr Walters states that the SEAHOPPER KONTENDER trade mark was applied for by SFK whilst Mr Rea was a co-director and with his assistance. Mr Walters exhibits at exhibits 14 and 14b a questionnaire and declaration completed by Mr Rea in relation to the SEAHOPPER KONTENDER trade mark application. In fact the declaration states that the application is in the name of Seahopper Boats Limited. Mr Rea identifies himself as being a partner in Seahopper Boats Limited and that he was a co-founder of this company and the owner of this company from 1974 to 1999. In the declaration Mr Rea states that he has been a partner of Seahopper Boats Limited since 1999. The questionnaire also refers to Seahopper Boats Limited. As far as I can see from the evidence no company with this title has ever existed as a legal entity. Mr Walters has exhibited at exhibit 5 a registration certificate for the SEAHOPPER KONTENDER trade mark – no 2183484 – which is in the name of SFK. However, this does not change the fact that the declaration and questionnaire completed by Mr Rea were not based on SFK's ownership of the trade mark SEAHOPPER KONTENDER. This might have been the intent but it is not the fact.

28) Mr Rea states that in January 2000 SFK or Mr Walters acquired factory or workshop premises and started to fit them out with facilities in preparation for the manufacture of folding boats. Mr Rea states that on 15 April 2000 a person or persons representing Mr Walters and/or SFK hand delivered a letter from Wise Geary, solicitors, to his premises during the course of "executing a raid" on his factory premises during which various materials were removed. This letter is exhibited at exhibit 17 to the statement of Mr Walters. The letter alleges that Mr Rea is in breach of his agreement with SFK and that because of this the agreement is being treated as having been repudiated. The alleged breaches of the agreement are the sale of a boat to a Mr D Smith (in August 1999), a sale of a second-hand SEAHOPPER KONTENDER boat and buoyancy bags for use with it to a Mr Montgomery (second-hand boat advertised 29 February 2000), misappropriation of materials belonging to SFK and misrepresentation of work invoiced to SFK. The letter concludes that SFK are attending Mr Rea's premises to recover all property which it lawfully owns and removing all materials and boats in stock.

29) Mr Rea accepts that the raid was an act of repudiation of the agreement. He states that with the end of the agreement so ended any licence Mr Walters or SFK had to exploit any of the intellectual property of Mr Rea's Seahopper Folding Boats business. He states that in the

circumstances Mr Walters and SFK had no right to continue to exploit any of the licensed rights after 15 April 2000. Mr Rea states that at the beginning of May 2000 he learnt that a former employee had started working at the premises which SFK and/or Mr Walters had caused to be standing ready a few months earlier. He states that he learnt that the employee was building boats to the distinctive design of his Seahopper Folding Boats business. Mr Walters states that he searched for new premises in March 2000, not January 2000, and acquired premises at Uffculme on a short term rental basis from 1 April 2000. He states that it was not occupied until the transfer of stock on 15 April 2000, after which it was fitted out. The electricity was re-connected on 8 May 2000 - Mr Walters exhibits at exhibit 16 to his statement a letter from the SWEB in relation to this.

30) Mr Walters states that he and a Mr Tait had visited the premises of Mr Rea on several occasions. He states that Mr Tait had been working for SFK for about a year and was well known to Mr Rea and his employee Mr Furneaux. Mr Walters states that on his instructions Mr Tait visited Mr Rea's premises on 14 April 2000 and informed Mr Furneaux that he had been asked to carry out a physical stock check to compare the stock with the figures sent in by Mr Rea a few days earlier. He states that Mr Furneaux did not object to this as he was aware that the stock was paid for and ordered by SFK rather than his employer. Mr Walters states that on 15 April 2000 Mr Tait, having substantiated a major shortfall between the number of completed boats and those invoiced as being in stock, revisited the premises and explained to Mr Furneaux that he was removing SFK's property and gave Mr Furneaux a copy of the solicitor's letter exhibited at exhibit 17 to the statement of Mr Walters.

31) Mr Rea states that Mr Walters and/or SFK have continued marketing and selling folding boats to the distinctive design of Seahopper Folding Boats, have misrepresented that he has ceased trading, have misrepresented that SFK had acquired his business, have misrepresented that the Seahopper Folding Boats business and SFK were somehow affiliated, have misrepresented that SFK have been producing folding boats for twenty years, have misrepresented that Mr Rea manages or works for SFK, have misrepresented an association or connection with Mr Rea by publishing photographs of him and using them to attempt to obtain sales of boats made by SFK, have misrepresented that boats designed and manufactured by Sea Hopper Folding Boats business were manufactured by SFK and have made misrepresentations in the following acts:

- SFK having SEAHOPPER and KONTENDER as the only distinctive parts of its trading style and corporate name
- use of SEAHOPPER in relation to folding boats
- use of the SEAHOPPER man device in relation to folding boats
- use of the KONTENDER sign in relation to folding boats
- use of the SEASCAMP sign in relation to folding boats
- use of the 7-TENDER in sign in relation to folding boats

32) Mr Rea exhibits at exhibit 6 pages from the Internet site of SFK; these pages relate to SEAHOPPER folding boats and identify the supplier as SFK and Seahopper Boats. The pages would appear to have been downloaded on 9 February 2001. Mr Rea also exhibits as part of this exhibit two pages from the June 2001 issue of "Practical Boat Owner". He refers to page 97 which is an advertisement for SEAHOPPER boats placed by him; included in the advertisement is the wording "Remember, the only genuine Seahopper comes from Wellington". Also in the same issue of the magazine on page 181 are two advertisements by SFK. One of these advertisements refers to a boat called A STOWAWAY, which is a folding

boat. The advertisement gives SFK as the point of contact. The other advertisement does not name the boat but on the sail can be seen the word KONTENDER and the partially obscured man device. The contact details are given as SFK and the web site address of www.seahopper.co.uk is also given. Mr Rea states that SFK has no right to use or operate a web site under the name SEAHOPPER or to use the words SEAHOPPER and KONTENDER in its name.

33) In response to Mr Rea's allegations Mr Walters states that:

- he has not misrepresented that Mr Rea has ceased trading and that there is no evidence to that effect
- he has not misrepresented that SFK has acquired the business of Mr Rea and that there is no evidence to that effect
- SFK have not misrepresented that Mr Rea's business and SFK are associated. SFK have stated that Mr Rea is a former business associate whose services were dispensed with in April 2000
- SFK have not misrepresented that they have been producing the boats for twenty years and that there is no evidence to that effect. SFK's brochure, exhibited at exhibit 3, states that SEAHOPPERS have given customers many years of use. Mr Walters states that SFK tell customers that SEAHOPPERS have been in production since 1975.
- SFK has not misrepresented that Mr Rea manages or works for them and that there is no evidence to that effect. Mr Walters states that they have referred to him as a former business associate since April 2000
- SFK from April 2000 have continued to use the same advertising literature, video, photos and articles they commissioned from July 1998 to April 2000. Mr Walters states that in July 2000 SFK amended their video and web site to eliminate any verbal or written references to Mr Rea's involvement. He states that it is impractical for SFK to re-publish their brochure, video and exhibition stand all of which contain one or more photos of Mr Rea rowing or sailing SEAHOPPERS. Mr Walters states that there is no reference to who the person in the photographs is.
- Mr Walters states that from June 1998 all SEAHOPPER KONTENDERS were manufactured by SFK at Mr Rea's premises i.e. SFK paid for the materials, labour and a contribution to the workshop overheads. From July 1999 to April 2000 all SEAHOPPER boats were manufactured by SFK to SFK's specifications at Mr Rea's premises i.e. SFK ordered and purchased all the materials and paid Mr Rea on a weekly basis for his labour and all his workshop overheads. SFK were at liberty to instruct Seahopper Folding Boats (SFB) to make any changes to the design and specifications which on occasions they did
- Mr Walters states that the trade marks SEAHOPPER, KONTENDER and SEAHOPPER man device have been used by SFK in relation to its folding boats since June 1998 when Mr Rea and Mr Walters founded SFK. SFK sees no reason to desist from using the trade marks
- Mr Walters states that the SEAHOPPER KONTENDER trade mark legally belongs to SFK and that Mr Rea is acting "illegally" in using this name as the goodwill therein belongs to SFK
- Mr Walters states that the SEASCAMP and 7-TENDER signs were first adopted and used in the United Kingdom by SFK (not SFB) with its brochure – exhibited at exhibit 3 – in September 1998. Mr Walters states that SFB has no entitlement to these signs.

34) Mr Rea states that he is aware that letters have been circulated by Mr Walters/SFK bearing what purport or appear to be his signatures but which have not been signed by him.

He states that the signatures have been “brought about by means other than physical signing by me”. Mr Rea states that he believes that Mr Walters/SFK have interfered with his contracts and business by misrepresenting that he/SFK were entitled to benefits to which in fact he had been and was entitled, for example at the Earls Court and NEC Boat Shows. Mr Rea does not explain what he means by the benefits to which he was entitled. Mr Rea exhibits two letters at exhibit 7 which he states were not signed by him. One letter dated 13 July 1999 is to the secretary of SFK and states that he has resigned as a director of the company. The other letter, dated 29 February 2000, is to the British Marine Industries Federation and requests that the membership name should be changed from SFB to SFK. Mr Rea denies any knowledge of these two letters.

35) Mr Walters states that these allegations are false. He exhibits at exhibit 19 to his statement a report from a handwriting expert in relation to the letter of 29 February 2000. The expert is of the opinion that Mr Rea probably signed this letter. In relation to the other letter Mr Walters comments that Mr Rea in his own witness statement says that he was a director of SFK from 23 June 1998 to 13 July 1999.

34) Mr Rea states that there has been continuous use of SEAHOPPER since the mid 1970s and exhibits at exhibit 3 use of the trade mark. Mr Walters does not dispute earlier use of the trade mark but he states that SFB did not make continuous use of the trade mark between June 1998 and April 2000. Mr Walters states that documentary evidence shows that SFK has made continuous and extensive use of SEAHOPPER from September 1998 to July 1999 and exclusive use from July 1999 to April 2000. Mr Walters relies upon the evidence exhibited at exhibits 6, 7 and 8 in respect of this (this evidence has already been referred to above).

35) Mr Rea refers to documentation exhibited at exhibits 8 and 9 in relation to use of the SEAHOPPER name and invoices for display stands at exhibitions. However, all this documentation predates the advent of SFK and so does not cast light upon the present dispute. The parties have not disputed that there was a goodwill in SEAHOPPER and that it lay with Mr Rea until the arrival of Mr Walters and the advent of SFK. The dispute revolves as to where the ownership of the goodwill rested at the date of the filing of the application in suit, 25 September 1999.

36) Mr Rea goes on to deal with matters arising from and after April 2000. As I have indicated above the issue that concerns relates to the position as of 25 September 1999.

37) Mr Rea states again that he at no time transferred his intellectual property rights to SFK. Mr Rea states in relation to the statutory declaration which was filed in relation to the application to register SEAHOPPER KONTENDER that if he did sign the declaration, which he does not admit, he did not do so knowingly. He states that this is borne out by the completely erroneous reference to Seahopper Boats Ltd as he has never traded as a limited company. I have noted above that the documents exhibited at 14a and 14b of the statement of Mr Walters refer to Seahopper Boats Ltd. A company that it appears has never existed. This documentation cannot, therefore, substantiate the claim that Mr Rea was content for SFK to apply for and register the trade mark SEAHOPPER KONTENDER. Taking all the evidence before me into account I accept that Mr Rea was responsible for these documents. However, this does not advance the case of the applicant as these documents make no reference to SFK.

38) Mr Walters states that SFK was the sole organiser promoting the SEAHOPPER trade mark at all shows from September 1998 to April 2000. He exhibits at exhibit 8 a schedule of

shows attended.

39) Mr Walters states that he and Mr Rea formed the limited company SFK in June 1998 and that Mr Walters paid Mr Rea £5,000 to enter the business. He states that the purpose of the company until June 1999 was two fold. The first purpose of the company was to produce and market the SEAHOPPER KONTENDER. Mr Walters states that the manufacture of the boats was subcontracted to SFB which was paid for each boat to be made. Mr Walters states that the terms of the unwritten agreement was that all SEAHOPPER KONTENDERS were to be manufactured by SFB and sold exclusively by SFK. Mr Walters states that thirty four KONTENDERS were sold between June 1998 and June 1999 at a total value of £56,296. The second purpose was to market the other two small boats in the SEAHOPPER range on a commission basis. Mr Walters states that this was not initially on an exclusive arrangement as Mr Rea retained the right to continue to sell the other boats himself until July 1999, but he was not allowed to use or benefit from any of the marketing or advertising materials produced by SFK. Mr Walters states that forty one small boats were sold in this period with a retail value of £32,544.

40) Mr Walters states that SFK has invested heavily in promoting the SEAHOPPER trade mark. Between June and September 1998 SFK produced a video, a copy of which is exhibited at exhibit 1, exhibition display stands, a photograph of the display stand is exhibited at exhibit 2, and a brochure to promote the whole range of SEAHOPPER boats, a copy of which is exhibited at exhibit 3. Mr Walters states that all of these were designed, purchased and owned by SFK. He states that the total cost of these items was £9,590. 61 and that the address on the brochure was that of SFK. Mr Walters states that in December 1998 SFK applied to register the SEAHOPPER KONTENDER trade mark. Mr Walters states that the application proceeded upon the basis of honest concurrent use, relying on evidence of use of the trade mark SEAHOPPER by SFK and its predecessor in title in the form of a statutory declaration by Mr Rea. This declaration has already been referred to above. A copy of the registration certificate, in the name of SFK, is exhibited at exhibit 5. Mr Walters states that from September 1998 to 14 April 2000 SFK paid for substantially all of the advertising, public relations and marketing activity for SEAHOPPER (this has been referred to above).

41) Mr Walters states that in June 1999 Mr Rea's sole proprietor business owed SFK approximately £3,000 and he was also in debt to several key suppliers. Mr Walters states that Mr Rea resigned as a director of SFK and requested that SFK take over responsibility for the production of all the SEAHOPPER boats. In July 1999 a new written agreement was drawn up whereby the labour element of the manufacturing of the boats was subcontracted to Mr Rea's business. Mr Walters exhibits at exhibit 9 a copy of this agreement. Although this agreement is signed after the relevant date it does deal with matters prior to the relevant date. As stated before a copy of this agreement is given in the annex to this decision. Mr Walters states that Mr Rea was aware that SFK was applying for the trade mark in suit, see letter exhibited at exhibit 10.

42) Mr Walters states that the business agreement, which was signed in January 2000, was terminated in April 2000 by SFK when it obtained proof that there was a significant discrepancy between the stock of finished boats and the number of finished boats that Mr Rea had declared as being finished and had invoiced SFK for payment. Mr Walters states that Mr Rea admitted this to the police in January 2001 and received an official caution. A copy of a letter from Avon and Somerset Constabulary and a letter from SFK to the police is exhibited at exhibit 11 to the statement of Mr Walters. It would appear from this exhibit that Mr Rea

was accused of having invoiced SFK for seventeen boats that he had not manufactured and that Mr Rea had been arrested and cautioned in relation to this allegation. The letter from the police states: "He (Mr Rea) has made admissions and has been formally cautioned for the offence of obtaining money by deception."

43) Mr Walters states that SFK used the SEAHOPPER trade mark with Mr Rea's full consent. Mr Walters refers to the declaration made by Mr Rea in relation to the application for the trade mark SEAHOPPER KONTENDER. He states that the fact that the declaration refers incorrectly to Seahopper Boats Limited does not effect the fact that Mr Rea supported registration of the trade mark by SFK. Mr Walters states that Mr Rea was fully aware that SFK was the applicant and that the reference to Seahopper Boats Ltd was merely a clerical error.

44) Mr Walters states that SFK has acquired substantial goodwill in the SEAHOPPER trade mark through its extensive promotional activities and as a result of the boats sold. Mr Walters gives the following figures for sales:

June 1998 – 1999 £88, 840
June 1999 – 2000 £104, 837
June 2000 – 2001 £54, 774

45) Mr Rea has further supported his opposition with six witness statements.

Witness statement by Allan Samuel

46) Mr Samuel has been accountant to Mr Rea's SFB business since 1998. Included in the statement are turnover figures for the years 1990 to 1998 and trading account details for the years ended 31 March 1999, 2000 and 2001. The highest annual turnover figure between 1990 and 1998 is shown as being £60, 337. Mr Walters has stated that the amounts recorded in relation to advertising/promotion, up to April 2000, would have all, or virtually all, been reimbursed to Mr Rea by SFK.

Witness statement of Geoffrey Arthur Frederick Lennard

47) Mr Lennard confirms Mr Rea's statement in relation to his taking over the LT Boats business.

Witness statement of Graham Fancy

48) Mr Fancy is the managing director of Wellington Timber Company Ltd. He states that he has traded with Mr Rea's SFB business for many years, supplying wood and other materials. He states that he was surprised to receive an order from SFB in May 2000 because he thought that the business had ceased trading. He states that he is pleased to receive and service orders from SFB.

Witness statement of Geoffrey Samuel

49) Mr Samuel describes himself as a customer and friend of Mr Rea. Most of what Mr Samuel says does not clarify or add anything in relation to the issues I need to consider. He states that there is confusion in relation to SEAHOPPER owners as to the status of SFB.

Given the facts in this case such confusion is not surprising.

Witness statement by Bob Newton

50) Mr Newton is sales manager of Clarks Wood Company Limited. His company supplies SFB with wood. Mr Newton states that he and his colleagues have experienced and continue to experience confusion owing to two companies using the SEAHOPPER name. Again given the facts of this case, two undertakings using the same name for the same product, such confusion is hardly surprising; indeed it is to be expected.

Witness statement of Dennis Hunter

51) Mr Hunter signed his statement on 15 June 2001. He states that he recently purchased a SEAHOPPER KONTENDER folding boat from Mr Rea's SFB business. He states that a few weeks ago he inadvertently rang a number in Northants, having picked up a blue SEAHOPPER leaflet, and was surprised to learn that it was not the office of SFB. Mr Hunter states that the woman who answered the telephone told him that "they" had dispensed with Mr Rea's services and that legal proceedings were in process. He was given the distinct impression that "they" were the true owners of the SEAHOPPER and KONTENDER business. Mr Hunter states that he, since then, has received his boat from Mr Rea's SFB business.

52) Mr Walters has commented upon the various "confusions" which are referred to in the witness statements. As I have indicated in the circumstances such confusion is to be expected and does not shed light upon who owns the goodwill in relation to the SEAHOPPER business.

53) The evidence furnished by Mr Rea shows that there has been for some years a business in folding boats which has been identified with the sign SEAHOPPER. Mr Rea refers to many thousands of boats having been sold in his statement. Given the turnover figures given by Mr Allan Samuel and the figures in the evidence which relate to the cost of the boats, which seem to range from £410 to £1990, and the period for which the business has been running this claim to "many thousands" strikes me as somewhat exaggerated. Nonetheless, there has been a business, there has been promotion of the business, the business was at the date of the filing of the application, known in boating circles in relation to folding boats. I have no doubt that at 25 September 1999 there was a goodwill in the sign SEAHOPPER in relation to folding boats.

54) There is some obscuring of issues by the use of trading names by Mr Rea. As well as SFB there are also various references to Seahopper Folders. As I have commented above a trading name is not a legal person, it cannot own property and goodwill is property. Therefore, I consider it appropriate to deal with the issue upon the basis that the owner is a person, Mr Rea. I cannot see that SFK dispute that Mr Rea owned the goodwill in SEAHOPPER. Their case is that they acquired that goodwill by the relevant date, if Mr Rea had not owned it they could not have acquired it from him.

55) Mr Walters comments on the declaration that Mr Rea made in relation to the application for the trade mark SEAHOPPER KONTENDER, and so by implication accepted the ownership of the goodwill in SEAHOPPER by SFK. However, this declaration identifies the application as being in the name of Seahopper Folding Boats Ltd – a non-existent company! Consequently there is no indication that in completing the declaration and questionnaire that Mr Rea knew that he was doing so to the benefit of SFK. On one side there is the assertion by

Mr Walters that Mr Rea was aware that the declaration was in support of SFK's application, on the other there is the fact that the declaration does not refer to SFK. The completion of the declaration and questionnaire tells me nothing about whom Mr Rea considered to own the trade mark SEAHOPPER KONTENDER nor who does own it.

56) Mr Walters makes much of the letter of 18 October 1999 which he exhibits at exhibit 10. In this letter there is one line which deals with the trade mark issue:

“As you know I am also pursuing the trademark scenario and as advised have put in a separate submission for the Seahopper name and logo – all of which costs money!”

The above tells me very little. The above does not advise in whose name the trade mark applications have been made. Even if Mr Rea was aware that SFK had made the applications it does not mean that he approved or sanctioned them. In relation to this application his opposition is indicative of his not approving of the application; although of course this might not have been the case at the time. The part of the letter dealing with the trade mark application tells me nothing about Mr Rea's view of the application nor about who can claim to own the goodwill in relation to SEAHOPPER at the relevant date.

57) I draw the following conclusions from the evidence. Mr Rea owned the goodwill in SEAHOPPER. Sometime in 1998 Mr Rea and Mr Walters joined together in the SEAHOPPER business. How and when their relationship began is disputed. But 1998 is accepted as the year the two men joined forces in relation to the SEAHOPPER business.

58) Mr Walters considers the proposal agreement is important in his claim to the goodwill. As I have indicated above I accept the legitimacy of this document. Mr Rea did not respond to a copy of the completed agreement which was furnished by the applicant, which he could readily have done. Also the internal evidence of the document, the witness signatories, initialling, lead me to consider it bona fide. The document itself raises problems as it is dated January 2000, after the relevant date. I will only consider the document in so far as it clearly deals with issues as of or before the relevant date, 25 September 1999.

59) The agreement is reproduced as the annex to this decision. The agreement is between SFK and SFB, in the case of the latter this means in effect Mr Rae. In part 3c of the agreement SFB undertake not to make, repair or sell any SEA SCAMPS, SEVEN TENDERS or KONTENDERS, including folding boats trade in, to anyone other than SFK without prior agreement (with effect from 17 August 1999). Part 4 of the agreement deals with commission that will be paid for sales by SFK to SFB, the commission arrangement is to run from 1 July 1999. These are the only parts of the agreement which clearly deal with the position prior to 25 September 1999.

60) The agreement makes no mention of intellectual property rights at all. In relation to a restriction on the activities of SFB this is limited to SEA SCAMPS, SEVEN TENDERS or KONTENDERS. There is no restriction made in relation to use of the name SEAHOPPER. Mr Walters contends in his declaration that paragraph 3c means that Mr Rea ceased to have rights in the trade mark SEAHOPPER. I cannot see how a restriction, which might end with the end of the agreement, and that does not relate to this name can be interpreted in this fashion.

61) I need to consider outside of the agreement whether the facts of the case suggest that the

public will have seen the goodwill of Mr Rea in the SEAHOPPER business dissipating and disappearing by 25 September 1999. Up until this date the manufacture of the boats was located at Mr Rea's premises in Wellington. There was no break in this. So those coming to Wellington for purchase or repair of their boats would be going to the same location and probably meeting Mr Rea.

62) The cover for the SEAHOPPER video makes no reference to the ownership of the trade mark. However, it states "Seahopper, has been hand making folding boats since 1975" This gives an indication of continuity. The video itself makes regular mention of SEAHOPPER and KONTENDER. The only reference to SFK comes at the end of the video where it is stated that the video was made for SFK.

63) Mr Walters refers to the amount that SFK have spent in publicising SEAHOPPER boats. However, there is a lack of exhibits showing the actual publicity and so it cannot be ascertained whether there was a link between the publicity and SFK.

64) I need to decide in order to determine this case whether as of 25 September 1999 SFK enjoyed goodwill in relation to the trade mark SEAHOPPER. The agreement does not indicate this. As I have said it is silent in relation to intellectual property rights. There is no indication in any documentary evidence that there was a quid pro quo in relation to the moneys invested in publicity and marketing by SFK and the intellectual property rights of Mr Rea. There is no automatic link between investment in an enterprise and acquisition of the intellectual property rights. As there is no transfer of the goodwill from Mr Rea in the documentation I must consider whether the nature of the conduct of the business from June 1998 to September 1999 was likely to lead to a goodwill in SEAHOPPER accruing to SFK; whether parallel with Mr Rea or not. On the evidence before me I am not convinced of this. The position of Mr Rea in the manufacturing and repairing of the boats makes a strong connection between him and the goodwill. He would still be very much the point of contact for purchasers and suppliers; his premises act as the attractive force for custom and he would have been present upon these premises. From the evidence before me I consider that the goodwill in the business attached to the sign SEAHOPPER rested with Mr Rea.

65) I note that SFK owns the SEAHOPPER KONTENDER and SEAHOPPER device registered trade marks. However, such ownership does not affect the issue before me in this case. They do not act as a shield to the attack of the opponent. The registration of these trade marks would not lead to an action for passing-off being dismissed. Trade mark registrations do not act as an automatic defence to a passing-off action. I have had to decide the issue on the basis of the application of the classic trinity of passing-off tests. The trade mark registrations do not give rise to goodwill nor would they militate against deception or confusion.

66) As I have stated above this case turns upon the issue of where the goodwill rested at the relevant date; all falls from this. Lord Fraser in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1980] RPC 31 said that the claimant must prove:

"That he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill attaches"

I find that the opponent has succeeded in this test and I, therefore find for the opponent.

67) As I have indicated I have only considered the proposal agreement in so far as it relates to the relevant date. If I had considered the full effect of this agreement it would not have benefited the applicant but rather the opponent. The after sales service and responsibility outlined in part 6 of the agreement would identify SFB as being the person responsible for the quality of the goods. It is the sort of responsibility that was considered in *MedGen Inc v Passion for Life Products Ltd* [2001] FSR 30.

68) As I stated at the beginning I consider that the case would have benefited from the cross-examination of Mr Rea and Mr Walters. I have severe doubts and concerns about certain of the claims of Mr Rea. However, the parties have not sought to test the issues under cross-examination. Mr Walters has put forward no convincing documentary evidence as to the transfer of the goodwill of the SEAHOPPER business. The evidence favours the goodwill resting with Mr Rea, whatever my concerns about certain of his claims. In *Scandecor Development AB v Scandecor Marketing AB* [1999] FSR 26 the Court of Appeal warned that where there is no agreement which regulates the parties' rights, the problem:

“is ultimately soluble by a factual enquiry [with] all the disadvantages of the length of its duration, the cost of its conduct and the uncertainty of its outcome”.

This case is an example of that problem. It has been complicated further by the lack of precision and consistency which both parties have used in relation to the names of their businesses. In paragraph 25 I pointed out the various names that appeared upon invoices. I have little doubt that SFK put considerable effort and money in the promotion of the SEAHOPPER business. Their case fails owing to the lack of evidence that they acquired the goodwill of the business because of their activities.

69) The application is refused.

70) The opponent having been successful he is entitled to a contribution towards his costs and I therefore order the applicant to pay him the sum of £1200. This sum is to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 17 day of July 2002

**D.W.Landau
For the Registrar
the Comptroller-General**

ANNEX

PROPOSAL AGREEMENT

Between Steve Rea - Seahopper Folding Boats and Mark Walters - Seahopper Folding Kontender Ltd

1. Payment of Factory Overheads

1a) Seahopper Folding Kontender Ltd and Seahopper Folding Boats to agree a fair sum for the total fixed and semi-fixed costs of running the factory purely as a factory and divide this between 52 weeks.

1b) Capital costs incurred by the factory will not be paid for by SFK but written down accordingly and an appropriate proportion included in the workshop overheads.

1c) A payment of £150 per week will be paid by SFK to cover monthly overheads based on an annual overhead of £7,800. If in any calendar month less than 8 - 9 boats per month have been built without prior agreement, a proportionate amount of the monthly overhead payment will be withheld.

1d) Any adjustments to the annual overhead charge pay will be made only by prior agreement and with three months notice.

2. Payment of Labour Costs

2a) SFK to pay £7.00 per hour on the agreed scales of total hours for building boats to different levels of finish as of October 1 1999.

2d) Times quoted for stages of building must be a fair reflection of total time taken plus, reasonable allowance for other related tasks (cleaning up moving jigs etc).

2c) Hourly rates of pay will be adjusted only by prior agreement and with three months notice.

2d) SFB to inform SFK of any extra labour and material cost they will incur for customer 'one-off's' within 2 days of receiving the order so that these can be incorporated into the sales price

3. Production and Productivity Levels

3a) SFB will guarantee to provide a minimum of 8 - 9 boats per calendar month. Reciprocally SFK guarantee to purchase 8 - 9 boats per month from SFB.

3b) SFB will agree production schedules and delivery dates with SFK and will incur penalties where a boat is delivered to the customer later than the agreed date. The penalty rate will be £10 per boat per day late. These penalties will not apply in circumstances outside SFB's control.

3c) SFB undertakes not to make, repair or sell any Sea Scamps, Seven Tenders or Kontenders, including folding boats traded in, to anyone other than SFK without prior agreement (with effect from 17 August 1999).

4. Payment of Commission to SFB

4a) Commission will be paid to SFB on all boats sold to customers based on the price paid by the dealer or customer to SFK for the boat.

4b) SFB's commission will be earned at a rate of:

- 10% for first £100,000 sales attracting commission,
- 7.5% for sales of £100,001 -£200,000 and
- 5% for sales of £200,001 or more.

For *boats sold in any* one calendar year commencing 1 July 1999.

With the following exceptions, which will attract no commissions with effect from 1st October 1999: -

- a) Seascamps and 7-Tenders sold without sail gear. However Sailing gear sold separately from Seascamps and 7-Tenders will attract 20% commission.
- b) Sandwheels, tiller extension, oars, carry bags and buoyancy bags will attract no commission.
- c) Charges made for carriage including packing materials.
- d) Any boats built for marketing purposes will not attract any commission (e.g. for shows, prizes, dealers, demonstrations etc) unless subsequently sold by SFK

4c) SFB to receive a copy of SKL's quarterly VAT returns to substantiate 'Sales' together with detailed list of sales made.

4d) Until such time that SFB has paid its outstanding debt to SFK, 80% of its earned commission for boats despatched after 1st October 1999 will be used to offset the debt. A weekly update will be provided by SFK of the balance of payments.

5. Boat Specifications

5a) SFB to agree to incorporate any alterations to specification requested by SFK if SFK can prove their feasibility. Any extra time taken to put these into production to be added to the cost. Prototype material cost and prototype labour costs instigated by SFK to be paid for by SFK unless previously agreed by SFB.

6. Quality Control and Guarantees

6a) Before despatch/collection SFB must guarantee to check that

- the boat does not leak (varnished and painted boats only)
- everything is provided
- that the boat and sailgear fits together properly and to a high standard
- packaging is applied correctly.

6b) Any costs incurred in forwarding missing pieces to be paid for by SFB if shown to be the fault of SFB.

6c) SFB offers a 1 year guarantee on the boat and also accepts full responsibility for any product liability claims made by any customers past or future. Also fabric used for membrane and ends will be guaranteed for 7 years by SFB against leaks caused by normal wear and tear.

6d) Any customer re-work required within 12 months of purchase due to faulty workmanship to be paid for by SFB, including carriage/postage costs to and from the customer/dealer.


6e) Any costs incurred from damage to boat whilst in transit directly caused by incorrect use of packaging materials by SFB, to be paid for by SFB, if not recoverable by SFK insurance. Any other damages caused by the carrier to be covered by SFK through it's own insurance.

6f) Any boats or boat part sold by SFK and returned by customers because of defects etc. (whether refunded or replaced) will be charged back to SFB. SFB will be invoiced for the materials and build costs (together with ancillary costs such as original and subsequent carriage/collection); and the money deducted from commissions earned. If this is the case then the scrap belongs to SFB.

6g) All boats to carry a sticker with SFK's address telephone number and web site etc. which will be supplied by SFK.

7. Materials - Stock held at Factory

7a) All materials purchased by SFK regardless of their state of development are SFK's property and are not to be used for any other purpose than the manufacture of SFK boats unless previously authorised.

7b) Stock takes will be carried out at SFK's request by arrangement with SFB, and all materials must be accounted for with effect from July stock take. Any shortfall to be deducted from the next payment due to SFB. *1999* 

7c) Material quantities requested by SFB per boat type must be an accurate reflection of quantity used. Any change in specification must be agreed by SFK, and material usage adjusted accordingly (e.g. if decided to increase size of seats, thwarts etc).

8. Insurance

8a) The Factory will provide evidence to SFK of being properly insured for fire and theft to cover SFK's boats and materials to the value of £40,000 plus SFB's equipment and tools and will be responsible for reimbursing SFK for any losses/damage to any materials in production or storage including 2nd hand boats paid for by SFK, up to a value of £40,000, regardless of whether the loss is reimbursed by Insurers.

8b) SFK will provide insurance for cover, and for fire and theft cover for boats whilst in transit and will make no claims on SFB for damage caused in transit provided that the packaging supplied by SFK was used and applied correctly by SFB.

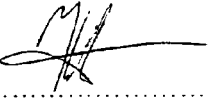
9. Cessation of Agreement

9a) Any violation of the above mentioned agreements by either side will revoke the agreement entitle either party to dispense with the other party's services if they cannot be resolved to their satisfaction

9b) Any part of this agreement may be changed with the agreement of both parties, SFK and SFB, and must be added to in writing

9c) Either party is entitled to give 6 months notice that they wish to cease trading or sell their business; in either case the other party must be given first opportunity to buy the other party's within the 6 months at an equitable price.

Signed 
Mr Steve Rea

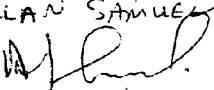
Signed 
Mr Mark Walters

Proprietor of Seahopper Folding Boats

Director of Seahopper Folding Kontender

Date

Date - 18/1/2000

Witnessed by
ALLAN SAMUELS

26/1/00

Witnessed by Michelle Mackrill
+ Michelle Mackrill