TRADE MARKS ACT 1994

IN THE MATTER OF APPLICATION NO 2334184
BY MURINA EUROPE LIMITED
TO REGISTER THE TRADE MARK:

IN CLASS 25

AND

THE OPPOSITION THERETO
UNDER NO 92354
BY
A AND G, INC

Trade Marks Act 1994

In the matter of application no 2334184
by Murina Europe Limited
to register the trade mark:

in class 25
and the opposition thereto
under no 92354
by A and G, Inc

1) On 6 June 2003 Murina Europe Limited, which I will refer to as MEL, applied to register the trade mark:

(the trade mark). It was published, for opposition purposes in the *Trade Marks Journal* on 12 December 2003 with a specification of: *clothing, headgear and footwear; parts and fittings for the aforesaid goods*. On 11 March 2004 A and G, Inc, which I will refer to as AG, filed a notice of opposition. AG states that it is the owner of United States trade mark registration no 2017574 of the trade mark AAA ALSTYLE APPAREL & ACTIVEWEAR. AG is also the applicant for Community trade mark no 3301371 for the trade mark AAA ALSTYLE APPAREL & ACTIVEWEAR. AG also uses a logo consisting of the letters AAA which are identical or similar to the trade mark. AG and MEL have a long standing trading arrangement; owing to this relationship MEL was fully aware that the trade mark belongs to AG. Section 3(6) of the Trade Marks Act 1994 (the Act) states: "a trade mark shall not be registered if or to the extent that the application was made in bad faith". AG claims that because of the circumstances of the relationship between the parties, and the existence of the United States registration, that the application made by MEL was in bad faith, as it knew of the ownership of the trade mark by AG outside of the United Kingdom. AG requests refusal of the application under section 3(6) of the Act.

2) Section 60(1) – (2) of the Act states:

> "(1) The following provisions apply where an application for registration of a trade mark is made by a person who is an agent or representative of a person who is the proprietor of the mark in a Convention country.
>
> (2) If the proprietor opposes the application, registration shall be refused."

AG claims that MEL is clearly an agent or representative of AG and, therefore, the application should be refused. (Section 60(5) of the Act will have to be considered also; this states:

> “(5) Subsections (2), (3) and (4) do not apply if, or to the extent that, the agent or representative justifies his action.”)

AG requests that the application is refused. It states that an attempt was made to settle this matter amicably prior to the filing of the opposition. Consequently, it requests a “full award of costs” in its favour.

3) MEL replied that it has been producing promotional material in the United Kingdom in respect of the trade mark since 1997. It states that to the best of its knowledge there has been no promotional activity carried out by AG in respect of the trade mark in the United Kingdom. MEL states that AG, by its own admission, despite having a United States registration dating from 1995, had “not seen fit” to seek protection in the European Union or separately in the United Kingdom until 4 August 2003. MEL states that AG had not shown any interest in asserting proprietorship in the trade mark outside of the United States by the date of application. MEL states that AG’s predecessor in title was content for MEL to form Murina Europe Limited and stated that it was not interested in the rights in the trade mark (and others) outside of the United States. MEL states that it has had significant turnover in the United Kingdom since making use of the trade mark from 1997. MEL states that in 1996 its predecessor in title, Luxfactor Trading Limited, which I will refer to as Luxfactor, commenced use of the trade mark in the United Kingdom. MEL denies the claims made by AG. It seeks the dismissal of the opposition and an award of costs.

4) Evidence has been given by the following:

Kioumars Fazeli, Managing Director of MEL;
Parham Sassooni, a director of MEL;
George Myrants, a trade mark attorney acting for MEL;
Tony Castillo, Business Development Officer of AG;
Helene Whelbourn, a trade mark attorney acting for AG;
Abdul Rauf Gajiani and Amin Amdani, previously joint owners of AG;
Conrad C Pitts, United States legal counsel for AG;
Todd Scarborough, President of AG since January 2005.

5) Some facts in this case are agreed by both sides but are subject to different interpretation. Some claims have been hotly disputed and denied.

6) AG, a United States enterprise, is a manufacturer and supplier of various items of clothing. These items are sold, inter alia, under the trade marks GAZIANI, MURINA and AAA in a pyramid formation, in the same format as the trade mark. Some clothing is sold with the labels of third parties, for whom the clothing has been made. AG is a sizeable undertaking. In 2002 9,071,144 dozens of garments were sold. Mr Sassooni thinks that AG employed between 450 and 900 staff.

7) On 30 September 2001 AG, an Illinois corporation, and Alstyle Apparel and Activewear Manufacturing Corporation, an Illinois corporation, which I will refer to as AAAMC, consolidated, AG was the surviving entity. Previously AG primarily sold merchandise while AAAMC primarily manufactured products. Mr Pitts explains the ownership and status of AG and of its United States trade marks. Prior to 10

November 2003 AG was owned by Messrs Amdani and Gajiani. On 10 November 2003 the stock in AG was acquired by Centrum Acquisition, Inc, which I will refer to as Centrum. The Great Pumpkin, Inc was organised as a subsidiary of AG on 23 February 2004. It was created to take title of AG's United States trade marks for state income tax planning purposes. Prior to this planning becoming effective the shareholders in Centrum were approached by another company in relation to selling its interest in AG. On 14 July 2004 all United States trade marks were assigned from The Great Pumpkin, Inc to AG, in anticipation of a transfer of ownership of Centrum. On 19 November 2004, the transfer of Centrum was effected as follows: Ennis, Inc created Midlothian Holdings, LLC as a wholly owned subsidiary. The parties then entered into a forward triangular merger with Centrum. The shareholders of Centrum received Ennis stock and Ennis's wholly owned subsidiary merged with Centrum and was the surviving entity. So, in effect, Ennis is the owner of AG. AG has been and remains the owner of the trade marks, the only change has been in relation to the ownership of AG.

8) In 1995 Messrs Sassooni and Fazeli were working as employees of Carbis Bay Leisure Ltd. They decided to form their own clothing business and on 4 January 1995 their business was incorporated under the name Luxfactor.

9) In California, AG contracted with SABA textiles to dye fabric. The owner of SABA, Saeed Sassooni, asked Mr Gajiani if he could help his nephew, Parham Sassooni, in the United Kingdom to get into the clothing business. Saeed Sassooni agreed to stand good for any debt his nephew owed and asked for a $100k line of credit for him; as AG invariably owed SABA in excess of $750k, Mr Gajiani was not concerned about the credit that was to be extended to Mr Sassooni. This was agreed but nothing was put in writing. Following a meeting with Mr Gajiani in California, Messrs Sassooni and Fazeli began to import AG clothing into the United Kingdom in 1996. Mr Gajiani states that all products at that time were shipped from California. It was not until 2000 that products were shipped from other locations. Mr Fazeli states that in 1996 Luxfactor commenced to do business with AAAMC and that his main point of contact with AAAMC was Mr Gajiani.

10) Mr Gajiani states that MEL was always considered to be a distributor. Various catalogues/price lists have been exhibited which list various distribution centres for AG's goods. The European distribution centre has MEL's address but it makes no reference to MEL itself in the details. Mr Gajiani states that the AG website listed MEL as a distributor and it was listed as a distributor in catalogues. Mr Sassooni states that AG's goods were collected from California, Chicago and Atlanta. He states that the products were distributed to the United Kingdom, France, Belgium, Denmark and various other European countries. The original arrangement appears to have been with Luxfactor, this company was later dissolved. Mr Sassooni states that when he and Mr Fazeli met Mr Gajiani in May 1995 in Santa Ana, California, Mr Gajiani made it very clear that he had no interest in controlling their distribution of AG's branded clothing into Europe. Mr Sassooni states that Mr Gajiani said that "he did not want anything to do with Europe and you can do what you want". Mr Gajiani denies making any such statement.

11) On 4 August 1997 MEL was incorporated. Mr Sassooni states that this was a fact well-known to AG, as all orders and other headed documents were headed with

Murina Europe Limited or Murina; AG received hundreds of these since the date of incorporation. Invoices from AG to MEL are exhibited, the earliest from 1998. Order forms from 29 November 1996 are also exhibited, prior to the incorporation of MEL. They have the banner "Murina™ Manufacturers and Distributors of T.Shirts & Promotional Items." Mr Fazeli states that he formed his company with the name Murina Europe Limited in the full knowledge of AG and with "the enthusiastic approval of Rauf Gajiani and his corporation". On 4 November 1997 MEL applied to register MURINA as Community trade mark. Mr Fazeli states that MURINA clothing was becoming the flagship product of Luxfactor and it applied to register the trade mark MURINA in the full knowledge and approval of AG and in particular Mr Gajiani. This trade mark was later assigned to MEL. Mr Gajiani states that he did not know of this application and never gave MEL permission to make the application. (The registration is the subject of an application for cancellation, brought by AG.) He states that AG did not know about this application until 2003; as soon as he and Mr Amdani found out they instructed their newly appointed trade mark attorneys to object. In his evidence Mr Fazeli states that it he finds it significant that Mr Gajiani had not been called to give evidence in these proceedings because he is confident that Mr Gajiani would have confirmed the nature of their business together. Since Mr Fazeli's statement Mr Gajiani has furnished two affidavits; to a large extent contradicting the evidence of Mr Fazeli. Mr Gajiani states that as soon as he was aware that MEL was using Murina as part of its corporate name he asked for it to be changed. He does not state when he became aware of this use. He states that MEL agreed to do this. He states that MEL were small customers and he and Mr Amdani were running a large corporation. Mr Gajiani states that he did not follow-up to make sure that MEL had changed its name as it had agreed. In July/August 2003, he states, Mr Amdani travelled to London to specifically ask MEL to stop using the name. Mr Sassooni states that, at the meeting, Mr Amadani casually raised in conversation that it might be a good idea if MEL change its name, to avoid any unnecessary law suits, in case something happened in the United States.

12) The first "agreement" between the parties is dated 18 December 1998. It is exhibited at PS5. It is on Alstyle Apparel/A&G Inc headed note paper. It seems to be a record of a meeting more than what would normally be considered to be an agreement. It is headed:

> "Meeting between Rauf Gajiani and Parham and Nadir of Murina Europe December 18, 1998."

Parham and Nadir refer to Parham Sassooni and Nadir Fazeli respectively. The note of the meeting has been copied to various persons, including Mr Gajiani but not to Mr Amdani. It states:

> "1. Stock is not guaranteed on floor for the advertised items.
> 2. If merchandise is available it will be supplied.
> 3. If merchandise is not available and if the order is by lot per color per size, it will be provided based upon the next available production date.
> 4. Discount will be 5% on the current price list.
> 5. If merchandise provided on an order is in more than one label, we will provide labels to Murina Europe to enable them to sell it under one label to their customer.

> 6. Murina Europe’s Credit line is increased to One hundred thousand dollar from the existing Fifty thousand.”

13) An agreement was drawn up between Alstyle Apparel/A&G Inc and MEL on 20 August 1999; it is exhibited at TC7. The agreement states, inter alia:

> “Murina Europe Ltd…… is sole distributor of Alstyle Apparel products in Europe under various labels.
>
> Alstyle Apparel/A&G Inc….. is owner and manufacturer of T-shirts and Activewear under various labels.”

The agreement states that MEL “will bear cost of all promotion and set all policies for sales in Europe”. Sales targets are set for MEL. Alstyle Apparel agrees that it “will not solicit or sell to any customer in Europe”. The agreement is signed by Messrs Fazeli and Gajiani. The penultimate clause of the agreement states:

> “10) If customer calls U.S. from Europe, Alstyle Apparel will give lead to Murina Europe. Murina Europe must sell customer either from London or Alstyle in the U.S.”

Mr Sassooni states that MEL wanted the 1999 agreement to protect it from having the exclusive nature of its distribution rights within Europe damaged by AG supplying European customers with AAA, MURINA and GAZIANI branded clothing, which was happening despite the promises of Mr Gajiani. He states that MEL had discovered that AG had been supplying a number of companies, including Delux Merchandising, within Europe without advising MEL; he states that Mr Amdani had been supplying Delux from Chicago. Mr Gajiani states that one of AG’s major customers in the United States was Giant, Delux was a subsidiary of Giant. Mr Gajiani states that the 1999 agreement was the first granting of exclusivity by AG to MEL. Mr Castillo states that at all material times ownership of the trade mark rested with AG and at no time was it intended that MEL should file applications in its name and thus acquire rights in the trade mark without AG’s consent.

14) A third agreement, dated 11 June 2001, is exhibited at PS8. It is between Alstyle Apparel & Activewear/A&G Inc and MEL. The agreement states that it supersedes all previous agreements; it deals with payments, discounts and credit. The agreement is signed by Messrs Sassooni, Fazeli and Gajiani. Mr Sassooni states that MEL continued to operate in accordance with all of the clauses of the 1999 agreement following the execution of the 2001 agreement, save as far as the former agreement was amended by the latter agreement. A memorandum dated 23 June 2000 is exhibited at TS1; it is from Mr Gajiani and directed to all customer service at AG. It states that if any customers from Europe call to place an order that they should be given the contact details of Mr Sassooni at Murina Europe Ltd. During his cross-examination Mr Gajiani states that this minute was only circulated within AG in California, it was not sent to the Chicago office.

15) On 6 June 2003 MEL filed the application the subject of this case and a Community trade mark application for GAZIANI, which is also being opposed by AG.

16) Mr Amdani states that he became aware of MEL's trade mark applications in July/August 2003. He states that he travelled to London to ask Messrs Sassooni and Fazeli to stop using Murina as their company name. Mr Amdani states that he was not aware of the 1999 agreement and continued to ship garments to European customers from Chicago during what he calls "the so called exclusive distributorship period between August 20, 1999, and June 11, 2001". Mr Amdani states that in 1999 he received an abusive telephone call from one of the two owners of MEL accusing him of shipping to Europe. He states that he acknowledged that AG was shipping to Europe and advised MEL that he would continue so to do. Mr Gajiani confirms that Mr Amdani knew nothing about the 1999 agreement. Mr Pitts states that Mr Gajiani primarily dealt with MEL. Mr Gajiani states that a 2000 agreement revoked the exclusive distributor relationship; no copy of this agreement has been put into evidence. Mr Sassooni states that the 1999 agreement was not revoked by operation of a 2000 agreement; he notes that Mr Gajiani has not supplied a copy of that agreement. He wonders if Mr Gajiani was referring to the 2001 agreement. Mr Gajiani states that because MEL did not meet the required sales it lost its right to exclusivity. However, he also states that the exclusive agreement was terminated when the "personal guarantee lien on assets and receivables" was not provided. Mr Sassooni states that the "distribution agreement" came to an end when the new owners of AG, Centrum, decided, in or around March 2004, that it ought to lay claim to the MURINA, AAA and GAZIANI trade marks outside of the United States.

17) On 23 March 2004 Mr Pitts wrote to MEL asking it to sign a memorandum of understanding which included the transfer of the ownership of various trade marks, including the trade mark, to AG. On 11 June 2004 he wrote to MEL with comments on a proposed settlement in which the transfer of ownership of various trade marks back to AG was mentioned. On 27 June 2004 Mr Pitts wrote to MEL's United States counsel asking that it cease using the various trade marks on MEL's website as they were sourcing products from entities other than AG. The transfer requests were reiterated on 1 August and 23 December 2004. Mr Pitts states that while it was AG's intention to continue the relationship with MEL, there were two stumbling blocks. These were: (i) that MEL needed to pay AG any outstanding monies and (ii) the ownership of the trade marks in Europe needed to be resolved. Mr Pitts states that in negotiations MEL agreed to transfer the ownership of the trade marks but a final agreement was never reached because MEL refused to pay the money that was owed. Mr Scarborough states that as of December 2004 MEL owed AG over US$580,000; money which has never been paid. Mr Scarborough started work for AG in July 2002. He confirms much of what Mr Pitts states. Mr Scarborough states that AG has a continuing interest in the AAA trade mark; there was never any intention that MEL should be allowed to register the trade mark. He states that in March 2004 Conrad Pitts was hired to monitor and maintain AG's trade marks. He discovered that MEL had registered the MURINA trade mark in its own name and had applications for the trade marks GAZIANI and AAA.

18) A letter dated 30 November 2004 from Stephenson Harwood, who were acting for MEL at the time, is exhibited at HMW1. It relates to what is described as the "breach of the sole European distribution agreement between the parties", MEL and AG. It states that MEL was appointed as AG's sole European distributor in 1996 and that since that time MEL has invested significant time, effort and expenditure in developing the MURINA, GAZIANI and AAA brands in Europe and in exploiting the

European market. The letter relates to the refusal of AG to make shipments to MEL because of MEL's registration and/or applications for the registration of the MURINA, GAZIANI and AAA trade marks in the United Kingdom and Europe. It goes on to state that these objections, the validity of which MEL denies, were raised only after AG was purchased by Centrum in November 2003, notwithstanding the fact that the previous owners of AG (Messrs Gajiani and Amdani) were aware of and had no objections to MEL's trade mark registrations and applications. Stephenson Harwood understand that Centrum's president, Roger Brown, has admitted to MEL that he was not aware of MEL's trade mark applications and registrations prior to the corporate acquisition, nor even of the long established distribution agreement in place between the parties.

19) Mr Sassooni states that from the outset MEL applied the letters TM against the word MURINA. He states that this was to place third parties upon notice that it was MEL's trade mark, Mr Gajiani having given this right to MEL from the very outset, in 1996. Copies of pages from the United States Patent and Trademark Office are exhibited at PS2; these show two registrations for the trade mark MURINA, in the name of AG. The trade marks were registered on 10 July 1990 and 23 April 1991. Mr Sassooni considers that this is significant as if MEL was using MURINA to denote reference to AG's trade marks, it would have used the ® symbol. Mr Sassooni states that MEL was "given the go-ahead to distribute clothing within Europe very much on the nod". He states that Mr Gajiani was always reluctant to enter into any written agreement and only ever did so on the insistence of Messrs Sassooni and Fazeli.

20) Mr Sassooni states that MEL immediately began using its own advertising, brochures and marketing materials for Europe. He states that the printed matter was produced for seven years with MEL's name on the back of it. Some of this material was even produced for MEL by AG. He states that in the advertising material the trade marks MURINA and AAA were depicted in the same font as used by AG; following liaison with AG's design department. Mr Sassooni states that AG did not seek to check the contents of MEL's brochures. MEL had complete control over the production and quality of the materials, although AG supplied the images that MEL could use in the materials. However, Mr Fazeli states that AG was provided with samples of MEL's trade literature and marketing materials. Mr Gajiani takes a different position to that of Mr Sassooni. He states that AG produced generic catalogues that it would send to its customers to use. This would be like a catalogue that AG was issuing but without AG's name; it was left blank so that the distributor could insert its own name. AG sent generic swatch cards to MEL and other customers. MEL would have its name inserted upon the card and then distribute it; a space was left on the card for the insertion of the name. Mr Gajiani states that AG either supplied the catalogues or artwork to MEL for their promotional activities. During cross-examination Mr Gajiani stated that at the beginning some promotional material was sent to MEL with MEL's name already printed on it. Mr Sassooni exhibits various material at PS4. There is a January 2000 Murina/AAA catalogue. Catalogue is spelt Catalog, ie in the American fashion. The first page includes the following "we at Murina"; it refers to products made in the United States (MURINA and GAZIANI) and those assembled in Mexico from United States fabric (AAA, HYLAND and GAZIANI). The following is also written:

> “Murina Europe is committed to your business needs and our goal is that you will continue to make us your source for excellent quality activewear.”

The page is signed by Mr Gajiani as President/CEO. The penultimate page refers to “our state-of-the-art manufacturing facility”. There is a reference to MEL on the back page, which is identified as the European distributor. A number of trade marks are shown in the catalogue, including the triple A pyramid. The MURINA and MURINA-6 trade marks are followed by the ® symbol. The other trade marks are not followed by either TM or the ® symbol. This catalogue is effectively identical to one exhibited by AG at TC6. The address from Mr Gajiani refers to “we at Alstyle Apparel” and ends with “Alstyle Apparel is committed….” So, the catalogue exhibited by MEL seems to be that produced by AG and amendments have been made for European use. The fact that in the MEL version of the catalogue Mr Gajiani styles himself as president/CEO and there are references to AG’s factories, supports Mr Gajiani’s claim that promotional material was sent out with blanks to be filled in. An advertisement exhibited at PS4 for MURINA/AAA refers to MEL; there is no indication from when this emanates, it uses an address different from that used by MEL when the application was made. There is neither use of TM or the ® symbol. The cover for a 1999 catalogue shows use of MURINA™. The front and back pages of a “1999 ACTIVEWEAR CATALOG” are exhibited at PS4. These are the same as those from a catalogue exhibited at TC6 with the following differences: Alstyle Apparel / A & G Incorporated has been replaced with Murina™ on both front and back; the list of United States addresses has been replaced with “European Headquarters”. Seven pages of a catalogue, which has on the side of the pages “Murina/AAA Range”, are exhibited at PS4. There are references to Murina Europe Limited and Murina at the bottom of the pages below a logo bearing the words “MADE IN USA”. The AAA, MURINA and GAZIANI trade marks are used. There is no use of either TM or the ® symbol and no indication as to the date from which the pages emanate. Finally in PS4 are copies of pages which appear to form a catalogue. The cover bears Murina™; inside the only trade mark identified is GAZIANI. Most of the products are not identified by reference to a trade mark; there is no reference to MEL on the pages and no indication as to the date from which they emanate.

21) Mr Gajiani states that AG was “bombarding” Europe directly with its catalogues. He states that MEL was given the right to sell in Europe just as AG’s other customers in Europe had the right to sell there. He adds that MEL was a small customer and would never have been given his attention save for the SABA connection.

22) Mr Fazeli states that MEL has never been other than a normal wholesaler or stockist ie purchasing and holding stock at its own risk and expense and doing all the marketing at its own expense; it was not a distributor. He exhibits at KF2 a page downloaded from www.alstyle.com on 27 December 2004, noting that it does not mention European distribution. Of course, the absence of such a reference on one page of a particular website tells one little. Mr Fazeli states that the term distributor used in the 1999 agreement was an error, as the parties were unaware at the time of the word stockist, which describes the true rôle of MEL in relation to AG’s goods. Mr Fazeli states that AG never sold goods in Europe under the trade mark. He comments upon the exclusivity of the relationship in Europe. However, MEL appears to have been aware that Mr Amdani was sending goods to Europe and complained

about this. AG clearly states that it was sending goods to Europe, despite the 1999 agreement.

23) Mr Sassooni postulates that the actions launched by AG against MEL have arisen from the acquisition of the former by Centrum.

24) There are clear contradictions in the evidence. Messrs Fazeli and Sassooni insist that they had Mr Gajiani's approval for registering the trade mark, and the trade marks GAZIANI and MURINA. Mr Gajiani was also content with the use of Murina in MEL's name. They claim that Mr Gajiani told them that AG had no interest in Europe and they had carte blanche to do what they wanted. Mr Gajiani denies all of this. He states that he was unaware of the trade mark applications and that Messrs Fazeli and Sassooni's company used the name Murina. Mr Gajiani states that he would never have told Messrs Fazeli and Sassooni that they could register the trade marks that AG uses in the United States.

25) There is also the matter of the exclusive agreement between AG and MEL, the 1999 agreement. It is clear that despite this agreement AG was sending goods into Europe. It would appear that, to some extent, Mr Amdani and Mr Gajiani did not know what the other was doing.

26) There is no evidence of AG, other than in its dealings with MEL, having made any sales in the United Kingdom or having promoted its goods in the United Kingdom; of course, the 1999 agreement states that MEL "will bear cost of all promotion and set all policies for sales in Europe".

27) There is a lack of documentary evidence to cast light on what is the true version of events in relation to the contradictory evidence from Messrs Fazeli and Sassooni and Mr Gajiani. Mr Gajiani was cross-examined in relation to his evidence.

28) A good number of matters have been raised in this case; I will deal firstly with those that I consider either do not have a bearing upon the final outcome of the case or can be deal with most easily.

29) A good deal of time was spent at the hearing in relation to the sole distribution agreement between AG and MEL and as to Mr Gajiani's knowledge of the use of MEL's company name. Mr Gajiani claims that as soon as he knew of MEL's company name he requested that it be changed and assumed that it had been done. However, there are at least four documents emanating from between 1998 and 2001, to which Mr Gajiani was a party and which referred directly to MEL. He must have known, therefore, that MEL was continuing to use its company name, despite his claim that he requested that it change its name. I am unconvinced that Mr Gajiani objected to the use of MEL's company name as soon as he knew of it. However, although this may sow some seed of doubt in relation to the evidence of Mr Gajiani, I do not see that it does any more. There is a deal of a difference between not objecting to the use of a company name and trying to register a trade mark which AG owns in the United States.

30) Mr Gajiani states that the sole distributorship arrangement with MEL, emanating from the agreement of 20 August 1999, was cancelled owing to the failure of the

promised personal guarantees to materialise. He also states that the agreement was cancelled as MEL did not meet its sales targets. MEL was never told it was cancelled for these reasons. The copy of the facsimile transmission from AG, exhibited at TS1 dated 12 February 2001 refers to the 20 August 1999 agreement and states that penalty charges will be incurred as a result of MEL's failure to meet the sales targets that had been set. So the failure to reach targets results in a penalty not a cancellation of the relationship. The somewhat unpalatable fact appears to be that AG never honoured the sole distributorship agreement. Mr Amdani in his evidence seems to treat it as an irrelevance. AG's actions in relation to the sole distributorship arrangement with MEL do not reflect well upon it. However, I cannot see that they have an impact on the matters that I have to decide.

31) Some time was spent on the fact that a batch of goods was sent to MEL upon which there were Levi labels; for whom AG made clothing. This was a mistake. On being advised of the error AG arranged for replacement labels to be sent to MEL, agreed to pay for the replacing of the labels and arranged for the return of the Levi labels to itself. Mr Engleman seemed to see that this as being significant, in terms of quality control I am afraid that I am unable to see any great significance in the occurrence. A mistake was made, AG arranged to rectify the mistake.

32) Some time has been spent in the case in relation to the use of the ™ and ® symbols. Any argument in relation to the significance of the use of these symbols had to be based on the premise of an educated and careful knowledge of the use of such symbols and that the use was charged with significance. There is nothing to suggest this is the case. Outside the sphere of trade mark specialists, these symbols have little significance other than being an indication of a trade mark. I do not consider that in this case either the users of the symbols, or those seeing them, would have seen them charged with any greater significance.

33) Mr Fazeli states that MEL has never been a distributor but a wholesaler or stockist. I am not sure that there is a deal of difference necessarily between a wholesaler or a distributor. He states that the parties were unaware of the word stockist when they drew up the 1999 agreement. I do not consider that stockist is an obscure word, for someone in the clothing trade it will be a commonly known word. The evidence clearly shows that MEL is a distributor. Mr Engleman did not run the line of argument that MEL was a stockist and not a distributor; in view of the evidence quite wisely. There is no definition of an agent or representative in the legislation. These terms are broad and cover a wide range of circumstances; the fundamental concept behind them, however, is the same, that one party is acting for another in some capacity. MEL was a distributor of the goods of AG in Europe, although from the evidence not a sole distributor as per the 1999 agreement. (The position in the United Kingdom specifically is not known.) The question then arises, in relation to section 60 of the Act, as to whether MEL could be considered to be an agent or representative of AG, at least at the time of the application for registration. (The United States is, of course, a convention country and AG is based there.) MEL distributed AG's goods; goods AG had manufactured and upon which AG had put its trade marks. MEL was also set targets for the sale of AG's goods, targets for which penalty clauses could be invoked. On at least one occasion the penalty clause was invoked, although Mr Gajiani stated, under cross examination, that the penalty was not paid. The evidence shows that AG was responsible for at least some of the

publicity material. MEL was acting for AG in the United Kingdom, whether exclusively or not, in the distribution and sale of AG's goods and so, in my view, was acting as an agent or representative for AG.

34) Mr Engleman submitted that clause 1 of the 20 August 1999 agreement, if correctly interpreted, would allow MEL to apply for the trade mark. The clause reads:

> "Murina Europe will bear cost of all promotion and **set all policies for sales in Europe**."

The highlighted part of the clause is the part upon which he relies. Reference was made to *Investors Compensation Scheme Ltd v West Bromwich Building Society* [1998] 1 WLR 896, *Bank of Credit and Commerce International SA (in liquidation) v Ali* [2001] UKHL/8, *Inland Revenue Commissioners v Raphael and Ezra* [1935] AC 96 and *(1)Jeffrey Stone (2)Lynn Ashwell(trading as "Tyre 20") v Fleet Mobile Tyres Limited* [2006] EWCA Civ 1209 in relation the interpretation of agreements. Mr Engleman sought assistance from the concept of contra proferentem and made reference to *Paperlight Ltd & Ors v Swinton Group Ltd*. I indicated at the hearing that I doubted that contra proferentem could benefit MEL as: 1) there was no derogation and 2) it states that MEL was the party that insisted on having agreements. However, I do not consider that I need to go into the issues surrounding contra proferentem or the case law in relation to the interpretation of agreements. I can see nothing in the clause that would allow for an interpretation that it gives permission for MEL to apply for the trade mark of AG, or any trade mark. The only way that I can envisage the clause being read in the manner that Mr Engleman suggests is if one applies the authority of Humpty Dumpty:

> "'When **I** use a word,' Humpty Dumpty said, in a rather scornful tone,' it means just what I choose it to mean, neither more nor less.'"

(*Through The Looking Glass* by Lewis Carroll.)

35) Prior to the hearing I requested that counsel address me in relation to *Medgen Inc v Passion for Life Products Ltd* [2001] FSR 30. This case had not been referred to in their skeleton arguments and I was of the view that, taking into account the facts of this case, it needed to be considered; if only to be distinguished from the current case. Ms McFarland pointed out that *Medgen* dealt with passing-off, the case turning upon the ownership of goodwill. This is the case. *Medgen* does, however, deal with a United States corporation and its United Kingdom representative and so does have parallels with this case. If a United Kingdom representative does end up owning the goodwill associated with the sign of the overseas undertaking that it represents, it could be a basis for denying that an application was made in bad faith and/or for establishing that the action of making the application for registration was justified. In the *Medgen* case the goods and the corresponding sign had become associated with the United Kingdom representative. The headnote to the case summarises the findings in relation to the establishment of the goodwill:

> "**H10** The goodwill in the name "Snorenz" and the redesigned packaging belonged exclusively to the defendant for the following reasons: (i) the claimant carried on no business in the United Kingdom, (ii) the packaging

contained no reference to the claimant, (iii) the whole business of marketing and sale were carried out by the defendant (iv) the references on the packaging and in advertisements was exclusively to the defendant, (v) it was to the defendant that trade customers would turn if there was any defect or problem, (vi) there was no evidence that the retail trade or the ultimate customer knew that the claimant was the developer of the product or cared who had developed it or was responsible for its manufacture."

The publicity materials exhibited at PS4 have references to the goods being made in the United States and "assembled" in Mexico, there is a reference to the "European Headquarters", catalog is spelt in the American fashion, MEL is described as the European distributor, there is reference to manufacturing plant. The evidence shows that MEL used AG publicity material with minor amendments In view of this, it is my view that a retailer purchasing the goods would have viewed MEL as only the distributor of the goods of a United States manufacturer. The ultimate purchaser would have had only the labels to view and, from what one can, this would have given no indication of MEL's involvement. As Ms McFarland pointed out, AG is not a trader in blank goods; the products always bear a trade mark, whether it be one of its trade marks or that of a third party. There is no evidence or indication that MEL ever requested products to be labelled with trade marks other than those used by AG in the United States. In the context of this case, taking into account the nature of its business, MEL could not have reasonably seen itself as having any rights in the trade mark, unless they had been specifically granted by AG. This is the matter upon which the case ultimately turns.

36) It was Mr Engleman's submission that the two grounds of opposition were two sides of the same coin; that they stand and fall together. Ms McFarland disagreed with this view. To my understanding, Ms McFarland could not agree with Mr Engleman as MEL had not specifically pleaded section 60(5) of the Act as a justification of its application. Consequently, all that it was beholden upon AG to establish was that MEL was its representative. Once this was established the application had to be refused as per section 60(2) of the Act. MEL has not pleaded section 60(5) in its counterstatement, there is nothing in the counterstatement that approximates to it. Section 60(2) can only apply if the action is not justified as per section 60(5). So if the evidence shows that the applicant was justified in making its application then the effects of section 60(2) cannot come into play. Consequently, I do not consider that it was necessary for MEL to specifically identify a reliance upon section 60(5); the enquiry into the section 60 objection requires a consideration of justification. Even if this were not the case, it is clear from the nature of its evidence that MEL was submitting that its actions were justified; it would be captious to the extreme to shut out the defence under section 60(5) in the light of the evidence. Consequently, MEL can seek assistance from section 60(5). Consequently, I concur with Mr Engleman that the two grounds stand and fall together.

37) That the two grounds stand and fall together has clear ramifications. Once it has been established that MEL was the representative of AG in the United Kingdom, its application can only be saved from refusal if it can justify the action of applying for the trade mark. It was Mr Engleman's submission that the two grounds stand or fall together; the logical sequitur of this is that to overcome the section 3(6) objection, MEL must also justify its action and so the evidential burden shifts to MEL.

38) For the sake of good housekeeping I will rehearse the case law in relation to bad faith. The material date for bad faith is the date of the filing of the application; actions after the material date cannot cure an act that was made in bad faith - *Nonogram Trade Mark* [2001] RPC 21. Lindsay J in *Gromax Plasticulture Limited v. Don and Low Nonwovens Ltd* [1999] RPC 367 stated :

> "I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes some dealings which fall short of the standard of acceptable commercial behaviour observed by reasonable and experienced men in the particular field being examined. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context; how far a dealing must so fall short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances."

This finding has become the foundation of the consideration of bad faith in this jurisdiction. Sir William Aldous stated in *Harrison v Teton Valley Trading Co* [2005] FSR 10:

> "33. The judge applied the statement of Lindsay J in *Gromax* which is cited above paragraph 18. He was right to do so. The words "bad faith" are not apt for definition. They have to be applied to the relevant facts of each case. The test is the combined test and the standard must be that of acceptable commercial behaviour observed by reasonable and experienced persons in the particular commercial area being examined. I stress "acceptable commercial behaviour" to exclude behaviour that may have become prevalent, but which would not upon examination be deemed to be acceptable."

As can be seen from the quotation above, Sir William Aldous himself approved and applied the statement of Lindsay J. This quotation brings me on to the next matter that has to be settled; on what basis are the actions of an applicant to be judged. Sir William Aldous stated in *Harrison*:

> "20 Mr Silverleaf Q.C., who appeared for the applicant, submitted that the words "made in bad faith" required that the application should be made "dishonestly". I reject that submission. If dishonesty was the test then that word would have been used in the 1994 Act and in the Directive. No doubt an application made dishonestly will be made in bad faith, but it does not follow that if dishonesty is not established, bad faith cannot have existed.
>
> 25 Lord Hutton went on to conclude that the true test for dishonesty was the combined test. He said:
>
> > "36. ... Therefore I consider ... that your Lordships should state that dishonesty requires knowledge by the defendant that what he was doing would be regarded as dishonest by honest people, although he should not escape a finding of dishonesty because he sets his own

standards of honesty and does not regard as dishonest what he knows would offend the normally accepted standards of honest conduct."

26 For my part, I would accept the reasoning of Lord Hutton as applying to considerations of bad faith. The words "bad faith" suggest a mental state. Clearly when considering the question of whether an application to register is made in bad faith all the circumstances will be relevant. However the court must decide whether the knowledge of the applicant was such that his decision to apply for registration would be regarded as in bad faith by persons adopting proper standards.

27 I believe that Mr Silverleaf did, during argument, accept that to be the right test. He accepted that despite his client's belief as to what he had been told by Mr Rymer, the applications would have been made in bad faith if the circumstances were such that an honest person would not have applied for registration without further enquiries. Mr Vanhegan also modified his basic submission during argument. He accepted that an application would be made in bad faith if the applicant knew or ought to have known that somebody else had a better claim. If when he said "ought to have known" he had in mind that the standard was that of persons adopting proper standards, then there may be little of importance between that and the combined test that I have set out above."

There has been some debate as to what is described as the "combined test" was the correct interpretation of the judgment of the House of Lords in *Twinsectra Ltd v Yardley and Others* [2002] UKHL 12. This has now been put to bed by the finding of the Privy Council in *(1) Barlow Clowes International Ltd. (in liquidation) (2) Nigel James Hamilton and (3) Michael Anthony Jordon v (1) Eurotrust International Limited (2) Peter Stephen William Henwood and (3) Andrew George Sebastian* Privy Council Appeal No. 38 of 2004. In this judgment Lord Hoffman stated:

"10. The judge stated the law in terms largely derived from the advice of the Board given by Lord Nicholls of Birkenhead in *Royal Brunei Airlines Sdn. Bhd. v Tan* [1995] 2 AC 378. In summary, she said that liability for dishonest assistance requires a dishonest state of mind on the part of the person who assists in a breach of trust. Such a state of mind may consist in knowledge that the transaction is one in which he cannot honestly participate (for example, a misappropriation of other people's money), or it may consist in suspicion combined with a conscious decision not to make inquiries which might result in knowledge: see *Manifest Shipping Co Ltd v Uni-Polaris Insurance Co Ltd* [2003] 1 AC 469. Although a dishonest state of mind is a subjective mental state, the standard by which the law determines whether it is dishonest is objective. If by ordinary standards a defendant's mental state would be characterised as dishonest, it is irrelevant that the defendant judges by different standards. The Court of Appeal held this to be a correct state of the law and their Lordships agree…………..

15. Their Lordships accept that there is an element of ambiguity in these remarks which may have encouraged a belief, expressed in some academic writing, that *Twinsectra* had departed from the law as previously understood

and invited inquiry not merely into the defendant's mental state about the nature of the transaction in which he was participating but also into his views about generally acceptable standards of honesty. But they do not consider that this is what Lord Hutton meant. The reference to "what he knows would offend normally accepted standards of honest conduct" meant only that his knowledge of the transaction had to be such as to render his participation contrary to normally acceptable standards of honest conduct. It did not require that he should have had reflections about what those normally acceptable standards were.

16. Similarly in the speech of Lord Hoffmann, the statement (in para 20) that a dishonest state of mind meant "consciousness that one is transgressing ordinary standards of honest behaviour" was in their Lordships' view intended to require consciousness of those elements of the transaction which make participation transgress ordinary standards of honest behaviour. It did not also to require him to have thought about what those standards were."

In *Ajit Weekly Trade Mark* [20006] RPC 25 Professor Ruth Annand, sitting as the appointed person, stated:

"41. I believe the parties are agreed that the upshot of the Privy Council decision in *Barlow Clowes* is: (a) to confirm the House of Lords' test for dishonesty applied in *Twinsectra*, i.e. the combined test4; and (b) to resolve any ambiguity in the majority of their Lordships' statement of that test by making it clear that an enquiry into a defendant's views as regards normal standards of honesty is not part of the test. The subjective element of the test means that the tribunal must ascertain what the defendant knew about the transaction or other matters in question. It must then be decided whether in the light of that knowledge, the defendant's conduct is dishonest judged by ordinary standards of honest people, the defendant's own standards of honesty being irrelevant to the determination of the objective element. I also bear in mind the observations of Lawrence Collins J. in *Daraydan Holdings Ltd v. Solland International Ltd* [2005] 4 All ER 73 at 93 concerning the affirmation of recent decisions of the Privy Council made by serving Law Lords after full argument."

In the terms of the Act an accusation of bad faith is one of the most serious allegations. The more serious the allegation the more cogent must be the evidence to support it – *Re H (minors)* [1996] AC 563. This, however, does not mean that there is a higher standard of proof, the issue will still be decided upon the balance of probabilities.

39) For a distributor of the goods of an overseas undertaking to apply for the trade mark used by the latter undertaking in relation to those goods does not represent a standard of acceptable commercial behaviour observed by reasonable and experienced men in the particular field being examined. I cannot see that such behaviour can be considered in any other light; unless it was the intention at the date of application to assign the trade marks to the overseas undertaking, not something that has been claimed in this case. So, there is a prima facie act of bad faith; the only thing that can cure that act is to show that MEL was justified in making the application.

Consequently, as Mr Engleman, submitted the two grounds stand and fall together. On the evidence has MEL justified its action?

40) AG has acted in a cavalier fashion in relation to the sole distributor agreement, it has obfuscated in relation to the use of MEL's company name. However, though this may leave a bad taste in the mouth, it does not mean that the evidential burden shifts back to AG or that the statements of Mr Gajiani, both in writing and during cross-examination, are to be dismissed. In his examination and cross-examination Mr Gajiani had a tendency to obfuscate, however, nothing in his demeanour or the nature of his answers lead me to conclude that he was a dishonest witness. In relation to two key questions he gave forthright and clear answers:

> Ms McFarland: "Thank you. Mr. Gajiani, just to be absolutely clear, since the date of your two earlier affidavits, certain statements have been made in this case by the applicant to suggest that you actively encouraged them to make an application for the trade mark AAA. Is that or is that not correct?
>
> A. It is a total lie……………………………"
>
> Mr Engleman. "Absolutely. You stated to my clients that you were not interested in Europe.
>
> A. That is a total lie -- LIE.
>
> Q. And that they could do what they wanted with it?
>
> A. That is a total lie again. They made it up."

Mr Engleman referred to the May 1995 meeting as the first agreement. There is no record of this meeting and that matters may have been agreed does not in itself represent an agreement. I consider that all that can be taken from this first meeting is that Mr Gajiani agreed that MEL could distribute AG's clothing in Europe and that a line of credit would be arranged. Mr Sassooni states that MEL was "given the go-ahead to distribute clothing within Europe very much on the nod". It is claimed that Mr Gajiani was reluctant to put anything in writing in relation to the relationship between AG and MEL; and this is supported by the evidence. However, there are three agreements, written at the behest of MEL, and none of these make any reference to intellectual property rights in any shape or form. There is no evidence of MEL ever advising AG of the applications it has made for AG's trade marks. There is a pattern of behaviour in relation to this, as MEL has applied to register three of AG's trade marks either in the European Union or in the United Kingdom. To apply to register three trade marks of another party, with whom one has a business relationship, without advising the other party, strikes me as surprising behaviour. Even if Messrs Sassooni and Fazeli thought that they had permission to make the applications it would seem both courteous and commercially sensible to advise AG in writing as to what had been done. Mr Fazeli states that MURINA clothing was becoming the flagship product of Luxfactor and it applied to register the trade mark MURINA in the full knowledge and approval of AG and in particular Mr Gajiani. This is denied by Mr Gajiani. The evidence shows, in my view, that Mr Gajiani was not greatly concerned about MEL's company name; there is no documentary evidence to suggest that he took or would have taken such a relaxed view in relation to the trade marks; especially as they were being used in the European Union. There is no explanation as to why MEL applied for the trade mark on 6 June 2003, why at this particular point of time? What was the motivation? If AG had granted rights to its trade marks in the May 1995 meeting, why was the application made eight years later? Luxfactor was distributing goods in the United Kingdom bearing the trade mark since 1996, according to MEL's evidence. MEL has concentrated much of its efforts on Mr Gajiani and his relationship with it. However, it is not to be forgotten that Mr Castillo also gave evidence; he was with AG for the entire period of its relationship with MEL and he states that at all material times ownership of the trade mark rested with AG and at no time was it intended that MEL should file applications in its name and thus acquire rights in the trade mark without AG's consent.

41) I have to come to a conclusion as to whether AG or Mr Gajiani gave consent to MEL to apply for the trade mark. There is not a shred of documentary evidence to support the claim. There is a clear denial by Mr Gajiani, and by Mr Castillo. I find the idea that a part owner of a company, Mr Gajiaini, would tell a distributor that it could register the former's trade marks more than surprising, I find it astonishing; especially in a market in which it had a clear interest. (It is difficult to envisage how this would even come up in conversation.) The evidence suggests that Mr Gajiani took a laissez faire attitude to AG's relationship with MEL; he clearly did not want to be tied down by agreements drawn up by lawyers. (I find it also very surprising that a company the size of AG should conduct business in this fashion.) However, there is a world of difference between a laissez faire attitude and a commercially foolish attitude; which giving intellectual property rights away would represent. I have little doubt that Mr Gajiani found the laissez faire attitude commercially useful; he is an experienced and successful man of business. Messrs Sassooni and Fazeli may have interpreted this laissez faire attitude as giving them carte blanche and so allowed them to apply for the trade mark. I am not convinced that such carte blanche was given to them. I am equally unconvinced that Mr Gajiani gave permission for MEL to make this application. Consequently, I find that the application was made without the permission of AG, or a representative of AG, and that, therefore, the action of making the application was not justified. **As a result the application was made in bad faith and falls foul of sections 60(1) and (2) of the Act. The application is to be refused.**

COSTS

42) AG having been successful is entitled to a contribution towards its costs. At an interlocutory hearing held on 14 December 2005, I held that AG should receive costs off the scale for any additional evidence that it filed. On 14 June 2006 a breakdown of costs in relation to the filing of further evidence by AG was received. The total of the costs amounts to £3695; having reviewed the basis of the costs I have decided that AG should receive the full amount of these costs. Mr Engleman raised the following issue in relation to costs:

> "Sir, the only issue I would raise on costs is a large amount of without prejudice correspondence has been filed in this case. I have not referred to it, sir, because I do not want to point take but, when it comes to the question of costs, vast amounts of correspondence were put in concerning negotiation and litigation by those against me, particularly the documents appended to Conrad Pitts. Sir, it is inappropriate that documents of that nature we have no difficulty with it because we do not feel that those documents, if anything, assist us by showing that there was no absolute -- I do not want to re-address the merits of the case but there was no shock horror on their part, simply a commercial negotiation indicating where they felt the proprietorship lay. But nevertheless it is inappropriate to file -- I will not bother you with the documentation. You will no doubt have seen it, sir -- in proceedings of this nature without prejudice correspondence, firstly, without at least informing us to seek our consent, never mind actually introducing it into evidence."

The correspondence that might be considered to be without prejudice has had no effect upon the effect of this case. I cannot see that it would have put MEL to any great effort in considering it. If MEL considered that without prejudice correspondence had been entered into the proceedings, it could and should have raised an objection when it was filed. I consider it too late at the end of the proceedings to express shock and horror and require compensation for the alleged indiscretion. I will make no variance in my award of costs in relation to this matter. AG is entitled to the following further payments:

Opposition fee:	£200
Statement of grounds:	£300
Consideration of statement of case in reply:	£200
Preparing and filing of evidence:	£1,000
Considering evidence of applicant:	£500
Preparation for and attendance at hearing:	£1,500

Total: £7,395

43) I order Murina Europe Limited to pay A and G, Inc the sum of £7,395. 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 11th day of January 2007

David Landau
For the Registrar
the Comptroller-General

Denise McFarland, instructed by JE Evans-Jackson & Co Limited, appeared as counsel for AG.
Mark Engleman, instructed by Trade Mark Consultants Co, appeared as counsel for MEL.