

O-586-17

TRADE MARKS ACT 1994

IN THE MATTER OF REGISTRATION NO 2654977 IN THE NAME OF HUNTER
LAING & COMPANY LIMITED IN RESPECT OF THE TRADE MARK

DOUGLAS OF DRUMLANRIG

IN CLASS 33

AND AN APPLICATION FOR A DECLARATION OF INVALIDITY THERETO
UNDER NO 500952 BY ANDREW CROMBIE

AND

IN THE MATTER OF REGISTRATION NOS 566867 AND 1308406
FOR THE TRADE MARKS



AND



IN THE NAME OF ANDREW CROMBIE
AND THE APPLICATION FOR REVOCATION THERETO
UNDER NOS 500971 AND 500972
BY HUNTER LAING & COMPANY LIMITED


Background and pleadings


1) Hunter Laing & Company Limited (“Party B”) is the proprietor of the mark DOUGLAS OF DRUMLANRIG that is registered in respect of the following list of goods:

Class 33: *Scotch whisky; alcoholic beverages, but in so far as whisky and whisky based liquers are concerned only Scotch whisky and Scotch whisky based liquers produced in Scotland.*

2) This registration was applied for on 5 March 2013. On 14 September 2015, Andrew Crombie (“Party A”) applied for the registration to be declared invalid. Following case management directions, the case falls to be decided in respect of the following grounds based upon section 47 of the Trade Marks Act 1994 (“the Act”), namely:

- The registration offends under section 5(2)(b) of the Trade Marks Act 1994 (“the Act”) because the mark is similar to two earlier marks in the name of Party A and the respective goods are either identical or similar. Party A claims that the dominant element “DOUGLAS” is identical to the dominant element of his marks. It is claimed that, as a result, there is a likelihood of confusion. The relevant details of these earlier marks are:

Mark and relevant dates	List of goods
<p>566867</p>  <p>Filing date: 28 February 1936 Registration date: 28 February 1936</p>	<p>Class 33: <i>Whisky.</i></p>

1308406	Class 33: <i>Whisky included in Class 33.</i>
 <p>Filing date: 27 April 1987 Registration date: 20 October 1989</p>	

- The registration date of these earlier marks are self-evidently more than five years before the application for invalidation was made. The significance of this is that the proof of use provisions set out in section 47(2) and section 47(2A) apply to the earlier marks and Party B may request that Party A provide proof of genuine use.
- The registration offends under section 5(3) of the Act because:
 - Unfair advantage will be taken because Party B is exploiting the distinctive character/repute of Party A's mark to the benefit of its own marketing efforts. This will lead to substantial savings on investment in publicity and promotion of its own goods since it is able to "free ride" on the promotion already undertaken by Party A;
 - Detriment to the distinctive character would be caused when the ability of Party A's mark to identify his goods is weakened. This will result in dispersion of the identity and to hold the public mind.
- The registration offends under section 5(4)(a) of the Act. The applicant claims goodwill in the following signs:
 - DOUGLAS;

- DOUGLAS BLEND
- CLAN DOUGLAS

used throughout the UK in respect of whisky since 28 February 1936, and;

- DOUGLAS OF DRUMLANRIG

○


Douglas
Of
Drumlanrig



○



used throughout the UK in respect of whisky since 25 February 1970

- The registration offends under section 3(6) of the Act because the contested mark was filed for in bad faith. It is claimed that Party B was well aware of Party A's DOUGLAS OF DRUMLANRIG mark and other DOUGLAS marks and also Party A's (and his predecessor in title's) reputation in the whisky business. It is further claimed that Douglas Laing & Company Limited

(hereafter “Douglas Laing”) was a mere licensee of Party A (and his predecessor in title) and as such was not able to assign the mark to Party B;

3) Party B filed a counterstatement denying the claims made and put Party A to proof of use.

4) By applications dated 26 August 2015, Party B also seeks revocation of Party A’s registrations on the grounds of non-use based upon Section 46(1)(a) and (b) of the Act. The periods in which Party A is put to proof of use are set out below:

Section	566867		1308406	
	Start	End	Start	End
s.46(1)(a)	30 July 1936	29 July 1941	21 October 1989	20 October 1994
	Date revocation takes effect: 30 July 1941		Date revocation takes effect: 21 October 1994	
s.46(1)(b)	10 February 2008	9 February 2013	10 February 2008	9 February 2013
	Date revocation takes effect: 10 February 2013		Date revocation takes effect: 10 February 2013	
	4 March 2008	3 March 2013	4 March 2008	3 March 2013
	Date revocation takes effect: 4 March 2013		Date revocation takes effect: 4 March 2013	
	26 August 2010	25 August 2015	26 August 2010	25 August 2015
Date revocation takes effect: 26 August 2015		Date revocation takes effect: 26 August 2015		

5) Party A filed a counterstatement denying the claims.

6) Both sides filed evidence in these proceedings. This will be summarised to the extent that it is considered appropriate. A hearing took place before me on 14 September 2017 in Glasgow, Scotland, where Party A was represented by Mr Philip Hannay for Cloch Solicitors and Party B by Mr Chris Aikens of Counsel, instructed by Murgitroyd & Company. Mr Crombie and Mr Stewart Laing, director of Party B, appeared for cross-examination.

Party A's evidence-in-chief

7) This takes the form of a witness statement by Andrew Ross Crombie (Party A) and one by Philip Hannay, a solicitor and director of Cloch Solicitors Limited, Party A's representative in these proceedings.

Ownership of earlier marks/goodwill/evidence of goodwill/evidence of breach of goodwill

8) In support of Party A's case, it is stated that:

- The late Richmond Douglas was proprietor and founding director of The Shieling Scotch Whisky Company Limited (hereafter "Shieling"), incorporated in 1970. This company acquired the 566867 and 13808406 marks from separate third parties¹. Party A claims to be the successor in title to Shieling;
- Party A met Mr Douglas in 1992 and their friendship led to Party A being asked to assist Mr Douglas with the commercialisation of the rights in the DOUGLAS whisky brands. In 1998, Party A became a shareholder of Shieling and therefore, part-owner of the rights in the DOUGLAS whisky brands²;
- Walter Douglas, the 9th Duke of Buccleuch (hereafter "the Duke"), was the proprietor of Drumlanrig Castle (Party A states that this is effectively the seat of the Douglas clan). In the 1990s he agreed to endorse the DOUGLAS whiskies and also the creation of a new DOUGLAS OF DRUMRANRIG label and reference its production "By appointment to the Duke of Buccleuch & Queensberry" and for an image of Drumlanrig Castle to be used³;
- In the early 2000s Richmond Douglas was drawn to Douglas Laing who operated a bottling plant. Its managing director, Mr Frederick Laing was interested in using the DOUGLAS whisky brands, especially the label featuring the crest and endorsement of the Duke. Licensed production was

¹ Mr Crombie's first witness statement, paragraph 6

² Ibid, para. 7

³ Ibid, para. 8

moved to Douglas Laing & Co. Ltd at an unspecified point before September 2003⁴;

- Richmond Douglas past away at an unspecified time before September 2003⁵. Party A was the surviving share holder of Shieling and the executors of Richmond Douglas' estate took the decision to transfer the DOUGLAS whisky brands business to Party A (completed on 25 August 2003⁶) and the rights in the brands and the goodwill in relation thereto were transferred to Party A. He also became the sole director of Shieling at this time. The registered marks were retained by Shieling (and its name appeared on the labels), but royalties were to be received by Party A personally⁷;
- Party A confirmed the new ownership arrangements in writing to Fred Laing and also his interest in Douglas Laing continuing to market the DOUGLAS whisky brands (by way of a licence)⁸. On 13 June 2006, Party A received an email from Douglas Laing, confirming his ownership and title of its stock of Douglas blend whisky and proposing that Shieling grants a new 10 year licence for it to be exclusive sale agent to sell whisky worldwide⁹. Party A issued a letter to Douglas Laing on 10 August 2006 confirming a deal and its terms. The agreed licence expressly covered the relied upon marks. Party A expected to receive a royalties lump sum at the end of the licence term in August 2016¹⁰;
- In November 2008 the registered marks were assigned from Shieling to Party A together with all goodwill¹¹. No documentary support for this assignment is provided;
- In late 2013, Party A became aware of the sale of DOUGLAS branded whisky (including use of the iconography where the permission of the Duke had been obtained by Shieling) by Party B, a company incorporated on 11 February

⁴ Ibid, para. 13

⁵ Ibid, para. 13

⁶ Ibid, para. 16

⁷ Ibid, para 14

⁸ Ibid, para. 16

⁹ Ibid, para. 17

¹⁰ Ibid, para 18

¹¹ Ibid, para 19

2013. Stewart Laing is the director. He was also involved with Douglas Laing¹²;

- It is stated on behalf of Party B in separate and unrelated proceedings that Party B was incorporated following a demerger from Douglas Laing and that as a result of the demerger numerous marks were assigned from Douglas Laing to Party B. These “whisky trade marks, brands and their associated labels, copyright, designs, packaging and getup” included DOUGLAS, DOUGLAS BLEND and DOUGLAS OF DRUMLANRIG.¹³
- It is not clear how these marks were ever in the name of Douglas Laing and therefore how they could have formed part of an assignment of marks from Douglas Laing when Party B was incorporated;
- Frederick Laing, in an email to Party A on 17 March 2015 stated that “since 2013 we have had no involvement with the brands discussed” (Mr Hannay states that these were the DOUGLAS whisky brands). The reference to the year 2013 appears to relate to when the demerger took place and Party B was incorporated. Frederick Laing also refers to Party A’s indication that an ex-gratia payment of around £750 to £1000 “would take care of ... past sales”¹⁴. Frederick Laing also made reference to “the Duke” having received royalties for past sales of DOUGLAS OF DRUMLANRIG whisky and he stated that, because of this, he believed that the Duke held title of the brand¹⁵;
- A letter from solicitors acting for Douglas Laing, dated 26 March 2015, stated that after further consideration, Frederick Laing was of the view that whilst Douglas Laing is not in possession of a royalty agreement with Party A, there was previously an arrangement under which certain royalties were paid to Shieling (noting that it was a company dissolved in 2009)¹⁶. This is consistent with Party A’s statement that Shieling was struck off the Register of Companies “shortly after” Party A had apparently transferred the registered

¹² Ibid, para 20

¹³ Mr Hannay’s witness statement, para. 5 and Exhibit CRO-PAH-5

¹⁴ Ibid, para. 9 and Exhibit CRO-PAH-10

¹⁵ Ibid, para. 9 and Exhibit CRO-PAH-10

¹⁶ Ibid, para. 10 and Exhibit CRO-PAH-11

marks and goodwill to himself in November 2008. Party A incorporated a new company on 11 March 2015 with the identical name¹⁷;

- It is the position of Party A that there had been a rolling licence between Shieling and Douglas Laing up to 2006, when it was replaced by a 10 year licence granted by Party A and that there is no claim by Douglas Laing to proprietorship of the contested marks. Consequently, it could not have assigned them to Party B. Neither of these licences is in evidence.

Evidence of genuine use and reputation of Party A's registered earlier marks

9) None of Party A's evidence-in-chief directly illustrates any use of his marks.

Bad faith

10) The evidence detailed above relating to the nature of the relationship between Party A and Douglas Laing is also relevant to the claim that Party B acted in bad faith when applying to register the mark DOUGLAS OF DRUMLANRIG.

Party B's evidence

11) This consists of a witness statement by Stewart Hunter Laing (hereafter "Mr Laing"), founder and director of Party B since 1 March 2013. Mr Laing states that he was 50% owner of Douglas Laing from the early 1970s up to 2013. He explains that Party B was founded based upon the assets of 50% of Douglas Laing. Mr Laing states:

- His business relationship with his brother, Frederick Laing, ended "somewhat acrimoniously" and he is unable to obtain documents from Douglas Laing, however, he doubts that any arrangements that may have existed between the parties were ever encapsulated in a written agreement¹⁸

¹⁷ Mr Crombie's witness statement, para 23. Later evidence makes it clear that this was the restoration of the original Shieling.

¹⁸ Mr Laing's witness statement, para. 21

- Until recent correspondence, he had no knowledge or recollection of ever having met Party A¹⁹;
- Whilst Richmond Douglas is known to him, all discussions with him were handled by his brother, Frederick Laing²⁰;
- To his knowledge and memory, there was no contact from any representative of Richmond Douglas in the intervening years following his death in 2003²¹;
- It is his understanding that Richmond Douglas was seeking a supplier of Scotch whisky and “wanted Douglas Laing to supply everything” and in return he wanted a small introductory fee²². The only introduction that Mr Laing is aware of was to the late Duke, “as a customer for Douglas Laing supplied Scotch Whisky”. The seat of the Duke of Buccleuch is Drumlanrig Castle and the whisky was named after this²³. If Richmond Douglas received a fee, it was for this introduction and not for a trade mark licence²⁴;
- Mr Laing is not aware of any licence arrangement between Douglas Laing and Richmond Douglas, Party A or any of his companies²⁵;
- As part of the demerger agreement between Douglas Laing and Party B, it “took assignation of the unregistered brands DOUGLAS OF DRUMLANRIG and DOUGLAS, amongst others”. He adds that reference to DOUGLAS solus in the agreement was a reference to the rights in Douglas Laing’s historical use of the name in its own name. Mr Laing’s father, Fred Douglas Laing founded the company in 1948 and the company was, at one stage located in a “Douglas House” in Glasgow²⁶;
- Consistent with the assignment (“assignation”) Party B “took steps to register the brands we considered the most commercially valuable, including DOUGLAS OF DRUMLANRIG” and the filing of application 2654977 was done in good faith²⁷;

¹⁹ Ibid, para. 5

²⁰ Ibid, para. 6

²¹ Ibid, para 7

²² Ibid, para. 8

²³ Ibid, paras. 8 and 9

²⁴ Ibid, para 11

²⁵ Ibid, para 20

²⁶ Ibid, para. 14

²⁷ Ibid, paras 16 and 17

- Party B enjoys the endorsement of the 10th Duke of Buccleuch (“the current Duke”). By letter dated 14 June 2016 from the Private Secretary of the current Duke, it is stated that he has no knowledge of negotiations between his father, the 9th Duke and either the late Richmond Douglas or Party A²⁸.

12) Mr Laing also provides a copy of the “Assignment” document, dated 30 April 2013, setting out the transfer of rights and property between Douglas Laing and Party A²⁹.

Party A’s evidence-in-reply

13) This consists of a second witness statement by Party A, second and third witness statements by Mr Hannay and a partially struck out witness statement by Susan Elizabeth Currie, trainee solicitor of Cloch Solicitors.

Ownership of goodwill/evidence of goodwill

14) The main points are:

- A letter from Party A to Frederick Laing, dated 25 August 2003, confirms that Party A had become the holder of “all the shares in [Shieling]”. Party A states that at that time, he pressed Frederick Laing for written confirmation of the licence³⁰. An email from Frederick Laing, dated 13 June 2006³¹, that Party A claims was at the time of closure of the early 2000s arrangement, provided “a form of wording that he was prepared to sign to give the written comfort of a new 10 year deal”. Party A states that the agreement was not agreed on those terms but agreement was finally struck in early August 2006. A letter from Party A to Mr Laing was sent on 10 August 2006 to record and confirm the principal terms of the agreement. This letter detailed:

²⁸ Ibid, para 18 and Exhibit SL3

²⁹ Exhibit SL1

³⁰ Mr Crombie’s second witness statement, para. 37 & Exhibit CRO-CRO-20

³¹ Ibid, Exhibit CRO-CRO-21

- Douglas Laing had worldwide rights to sell DOUGLAS OF DRAMLANRIG, DOUGLAS BLEND and CLAN DOUGLAS brands already marketed for Party A, for a period of 10 years;
- Commission rates and percentage of profit payments were referred to as was the fact that these would be, at first, paid annually then six monthly as sales grew³² (I note that there is tension between the frequency of payments set out in the letter and Party A's statement at paragraph 18 of his first witness statement where he stated that he expected a royalties lump sum at the end of the 10 year arrangement). No copy of the agreement itself is in evidence.
- Contrary to Mr Laing's statement, Party A did meet him on two occasions between 2002 and 2006 while the licence arrangements were being put in place with Fred Laing³³.
- A Scotch Whisky Association list of members does not identify that Party B provides DOUGLAS OF DRUMLANRIG branded whisky but DOUGLAS (BLENDED) is listed³⁴;
- an email, dated 5 December 2003, from Frederick Laing discussing what to do with 33 cases of an unspecified whisky held by Douglas Laing and 46 cases of DOUGLAS OF DRUMLANRIG (offered to Party A for a £109 per case). Frederick Laing also stated that "we had some commission lying here for you ...it now runs to about £900..."³⁵;
- A McTear's Auctioneers listing for "Rare & Collectable Whisky, Wine & Port", dated 6 June 2012, included as "Item 675" a composite set of whisky with a bottle of DOUGLAS BLEND.³⁶

Evidence of genuine use and reputation of Party A's registered earlier marks

15) Party A refers to there being a primary and secondary market for DOUGLAS OF DRUMLANRIG, DOUGLAS BLEND and CLAN DOUGLAS whisky "for many, many years"³⁷. The main points are:

³² Ibid, para. 37 and Exhibit CRO-CRO-22

³³ Ibid, para. 7

³⁴ Mr Hannay's second witness statement, para. 8 and Exhibit CRO-PAH-12

³⁵ Mr Hannay's third witness statement, para. 9 and Exhibit CRO-PAH-29

³⁶ Ms Currie's witness statement, para. 13 and Exhibit CRO-SEC-8

- An extract from the website douglasofdrumlanrig.com (undated, but printed on 31 October 2016) provides information about Langside Distillers, a brand belonging to Douglas Laing and states that DOUGLAS OF DRUMLANRIG whisky is “only bottled when we believe it is ready”³⁸;
- Shieling had a whisky branded DOUGLAS OF DRUMLANRIG, also endorsed by the Duke but on the market before the agreement with him that is referred to in Party A’s first witness statement³⁹. The following image is provided of a bottle of DOUGLAS OF DRUMLANRIG, endorsed by the Duke, that was produced in the 1980s and 1990s prior to any involvement of Douglas Laing⁴⁰:



- Screen shots of a webpage from the Douglas Laing website, dated 22 June 2015, and a close up image of a bottle of DOUGLAS BLEND whisky shown

³⁷ Mr Crombie’s 2nd witness statement, para. 23

³⁸ Mr Hannay’s 3rd witness statement, para 29 and Exhibit CRO-PAH-46

³⁹ Mr Crombie’s 2nd witness statement, para. 19

⁴⁰ Ibid, para. 21 and Exhibit CRO-CRO-5

in the screen shot. They appear under the heading “Our other brands” and it is stated that “...we also have a small selection offered into different markets. These are our DOUGLAS blend, its “Big Brother” DOUGLAS XO, ...[and other third party whiskies]”⁴¹;

- Images of CLAN DOUGLAS and DOUGLAS BLEND whiskies purportedly dating back to the 1980s and 1990s bearing the Shieling name are shown to illustrate that the source of the whisky was shown as Shieling even before any involvement with Douglas Laing⁴²;

Goodwill

16) All of the above may be relevant to the question of goodwill and in addition, the following is provided showing examples of DOUGLAS OF DRUMLANRIG whisky being advertised and auctioned for sale between 2010 and 2016⁴³:

- A bottle, as shown above, being auctioned on the website “Just Whisky”. The “end date” of the auction is dated 17 May 2016. The winning bid is recorded as £36. There is nothing to indicate its origin⁴⁴;
- A bottle of the same in a presentation box at “the saleroom” auctions with an address in the Scottish Borders. It indicates that the lot closed on 8 November 2014⁴⁵;
- An identical bottle for sale on an unknown auction site. The bottle is identified as being from the 1980s and with the winning bid being £37.50. The auction ended on 1 July 2015⁴⁶;
- A boxed bottle of the same, auctioned at Scotch Whisky Auctions. The highest bid is recorded as £55, but that the reserve price was not reached. It is not dated⁴⁷;
- What appears to be a list of unknown origin, of lots of bottles of whisky. Party A states that it is from Glasgow’s McTear’s Auctioneers, “The

⁴¹ Ibid, para. 24 & Exhibits CRO-CRO-11 and CRO-CRO-12

⁴² Mr Hannay’s third witness statement, para. 18 and Exhibits CRO-PAH-21 and CRO-PAH-22

⁴³ Mr Crombie’s second witness statement, para. 22

⁴⁴ Ibid, Exhibit CRO-CRO-6

⁴⁵ Ibid, Exhibit CRO-CRO-7

⁴⁶ Ibid, Exhibit CRO-CRO-8

⁴⁷ Ibid, Exhibit CRO-CRO-9

Rare & Collectable Whisky Auction” catalogue. One whisky in this list is recorded as an unsold bottle of 12-year old DOUGLAS OF DRUMLANRIG whisky⁴⁸.

Bad faith

17) The main points are:

- In response to Mr Laing’s statement that he was not aware of any licence arrangement between Douglas Laing and Party A or Richmond Douglas, Party A states that DOUGLAS OF DRUMLANRIG, DOUGLAS BLEND and CLAN DOUGLAS whiskies were manufactured and distributed by Douglas Laing under licence as evidenced by an image of DOUGLAS BLEND whisky on Douglas Laing’s website being advertised for sale as part of its product suite⁴⁹ and apparently with the label indicating that it is branded under the Shieling name (but this is not clear in the representation provided);
- Two versions of DOUGLAS BLEND whisky are shown. Party A states that he recollects that the labels that appear thereon were used from the 1990s onwards, but they are undated. Upon the labels, the following appears:

“Distilled, blended and bottled in Scotland
The Shieling Scotch Whisky Co. Ltd, Glasgow G3 6EQ, Scotland”⁵⁰

- In response to Party B’s Exhibit SL3 (a letter from the current Duke endorsing Party B’s whisky), Mr Hannay claims that, in light of the "apparent wide marketing for around two decades [of the Shieling Douglas whisky] and its ongoing resale in the avid secondary market", it is difficult to believe that the current Duke has no knowledge [of Party A’s interest and rights] and the letter should be "dismissed as a biased causal confirmation issued in haste in support of a business partner, perhaps even issued for a price"⁵¹;

⁴⁸ Ibid, Exhibit CRO-CRO-10

⁴⁹ Ibid, Exhibits CRO-CRO-11 and CRO-CRO-12

⁵⁰ Ibid, para. 29 & Exhibits CRO-CRO-15 and CRO-CRO-16

⁵¹ Mr Hannay’s second witness statement, para 18

- To counter Party B's evidence that it acquired rights in the various Douglas brands by way of assignation from Douglas Laing, Mr Hannay puts in evidence the following documents obtained from Companies House:
 - Party B's accounts as of 30 April 2013, signed by Mr Laing, recording that it has no fixed assets⁵²;
 - It's accounts for the periods 1 May 2013 to 30 April 2013 and 1 May 2014 and 30 April 2015, which do not reflect any provision for any acquired goodwill or an acquired trade mark portfolio. Once again, Mr Laing signed the accounts⁵³;
- An email to Mr Hannay, dated 11 August 2015, from the legal representatives of Douglas Laing. It states that in respect of the demerger of Party B from Douglas Laing that “each party knew as much about the business as the other party...”⁵⁴;
- A further email from Douglas Laing’s legal representative to Mr Hannay, dated 26 October 2016, states that Party B’s understanding of the assignation document at Party B’s Exhibit SL1 is incorrect and, where it related to unregistered rights, it was actually caveated by use of the words “(“if any”)” to recognise that no warranty on ownership was being included”⁵⁵;
- Stuart Laing was a director of Douglas Laing until 30 April 2013⁵⁶ and became a director of Party B on 1 March 2013⁵⁷, four days prior to Party B filing its application for its contested registration.

Party A’s additional evidence

18) This consists of a third witness statement by Mr Crombie. This evidence includes the following:

- Extracts from Companies House records illustrating that Party A was appointed director of Shieling on 20 August 2002⁵⁸;

⁵² Mr Hannay’s third witness statement, para. 4 and Exhibit CRO-PAH-26

⁵³ Ibid, para. 5 and 6 and Exhibit CRO-PAH-27 and CRO- PAH-28

⁵⁴ Ibid, para. 11 and Exhibit CRO-PAH-31

⁵⁵ Ibid, para. 12 and Exhibit CRO-PAH-32

⁵⁶ Ibid, para. 15

⁵⁷ Ibid, para 16

- A claim that, following Party A becoming the full owner of Shieling in 2003, Frederick Laing requested legal proof. This was provided on 25 August 2003⁵⁹. Party A states that Frederick Laing was then content to deal with him in relation to the DOUGLAS brands. Party A had been trying to follow up on outstanding sums due from Douglas Laing as a result of the licence agreement with Shieling. Party A recalls this arrangement had been documented, but he cannot access files on his old computer⁶⁰;
- In order to side step administratively cumbersome regulations, at Frederick Laing's suggestion, Party A licensed Shieling's rights in the DOUGLAS whiskies to himself. He remembers writing this down and signing it on behalf of Shieling, but this cannot be located⁶¹. (There is tension between this statement and Party A's statement in his first witness statement that the executors of Richmond Douglas' estate took the decision to transfer the rights to Party A);
- Shortly after agreeing to continue the licence to Douglas Laing, Party A began receiving royalties. Party A states that this was before December 2003 and he recalls picking up a cheque for £900 that same month. He also provided "a short letter confirming the arrangement" but he no longer has a copy⁶²;
- In June 2006, Frederick Laing suggested a fixed term licence and a 10 year term was agreed. Frederick Laing emailed Party A on 13 June 2006 proposing terms. An alternative arrangement was also offered whereby Douglas Laing would buy the brand. Party A states that this email only covered one brand and that he was uncomfortable that it did not cover the three brands (DOUGLAS BLEND, CLAN DOUGLAS and DOUGLAS OF DRUMLANRIG). This led to the agreement⁶³ set out by Party A already referred at paragraph 18 of his first witness statement, paragraph 37 of his second witness statement and shown earlier at Exhibit CRO-CRO-22;
- Party A restored Shieling to the Companies House register and subsequently changed its name to The Shieling Scotch Whisky Holdings Limited on 3

⁵⁸ Mr Crombie's third witness statement and Exhibits CRO-SWH-3 and CRO-SWH-4

⁵⁹ Ibid, para. 7 and Exhibit CRO-SWH-5

⁶⁰ Ibid, para. 6

⁶¹ Ibid, para. 8

⁶² Ibid, para. 9

⁶³ Ibid, para. 10 and Exhibit CRO-SWH-9

October 2016 and on 4 November 2016 undertook an assignment of the contested registered marks and all of Shieling's goodwill to Party A from "The Shieling Scotch Whisky Holdings Limited (previously The Shieling Scotch Whisky Company Limited ...)" with effective dates of 1 November 2008 and 31 August 2003, respectively⁶⁴;

- Shieling had been struck off in 2009 because filing requirements were missed. Party A states that he did not see this as a problem because he had "transferred the intellectual property rights to myself before the company was struck off" and that he "was content that if the Crown held any assets I could ask the Crown for those assets back⁶⁵."

Party B's additional evidence

19) This takes the form of a second witness statement by Mr Laing. It contains numerous submissions that I will not detail here, but I will keep them in mind. He also states:

- He does not recall selling any DOUGLAS whisky where the label referred to Shieling. He surmises that Party A's exhibits that show this must be of bottles produced before Douglas Laing's involvement with the brand⁶⁶;
- DOUGLAS OF DRUMLANRIG whisky produced by Douglas Laing, instead, had a reference to "Langside Distillers", a brand name of Douglas Laing. A sample label that Mr Laing states is dating from 2005 is provided to demonstrate this⁶⁷;
- Mr Laing identifies that the Internet extracts shown at Exhibits CRO-CRO-11 and CRO-CRO-12, whilst purportedly originating from the Douglas Laing website, have the URL https://apts12.dsl.pipex.com/products/other_blends.htm and not the Douglas Laing URL. He states that the label for DOUGLAS BLEND used by Douglas Laing prior to the demerger featured the narrative "Distilled, blended and

⁶⁴ Ibid, para. 11 and Exhibit CRO-SWH 10

⁶⁵ Ibid, para. 13

⁶⁶ Mr Laing's second witness statement, para. 3

⁶⁷ Ibid, para. 4 and Exhibit SL4

bottled in Scotland... Douglas Laing & Co Ltd” and made no reference to the words “Shieling” or “Crombie”. A label approval form is shown dated 20 May 2009 in support of this⁶⁸;

- Mr Laing has never seen any of the various email exchanges in Party A’s evidence with Frederick Laing and did not discuss them with his brother at the time they were sent. He further states that Frederick Laing managed the DOUGLAS OF DRUMLANRIG and DOUGLAS BLEND brands while they were working together at Douglas Laing⁶⁹;
- The normal way that Douglas Laing did business, even where a customer had an attractive trade mark, was to require that the sourcing of the whisky, perhaps devising a label, and arranging a bottle run was paid for in advance. That no mention has been made of payments to Douglas Laing leads Mr Laing to surmise that any arrangement reached with Richmond Douglas of Shieling “would have been *sui generis* and not necessarily licence arrangements (possibly in the “*informal, flexible and unwritten category*”...)”⁷⁰;
- Mr Laing points out that the kind of list produced by the Scotch Whisky Association and shown at Mr Hannay’s Exhibit CRO-PAH-12 are not exhaustive. By way of example, he notes that Beam Suntory are recorded as only having two brands, but he provides an extract from its website showing that they have six more scotch whisky brands⁷¹;
- Douglas Laing never sold CLAN DOUGLAS whisky and the examples shown in Party A’s evidence appear “to be very old”⁷²;
- In addition to the assignment document he provided at his Exhibit SL1, Mr Laing also provides a copy of a second assignment document between Douglas Laing and Party B signed on the same day (30 April 2013) that he describes as “the general IP assignment”. It includes the following statement:

“The Assignor hereby assigns to the Assignee the Assignor’s whole right, title and interest in and to the Intellectual Property (if any), including but not limited to ...” ⁷³

⁶⁸ Ibid, para. 7 and Exhibit SL6

⁶⁹ Ibid, para. 9

⁷⁰ Ibid, para. 11

⁷¹ Ibid, para. 26

⁷² Ibid, para. 27

- In countering Party A's claim that whisky production is sporadic and this therefore explains why there may not be use of the marks in the relevant years, Mr Laing explains that the labels on the bottles of DOUGLAS OF DRUMLANRIG put in evidence (such as Exhibit CRO-ARH-2 and CRO-CRO-5) by Party A and showing the Shieling name relate to blended whiskies. Further, he states that DOUGLAS BLEND describes itself as a "blend" and therefore is restricted by the Scotch Whisky Regulations as being a blend. These whiskies are not tied to specific years like single malt whisky.

Cross examination of Mr Andrew Crombie

20) Party A struck me as an honest witness who tried hard to recall accurately the facts on which he was questioned but appeared, at times, to be confused regarding certain concepts such as the difference between a licence and an assignment and the difference between a company and an individual acting for a company. This apparent confusion led to some contradictions in his evidence, as can be seen from some of the points below.

21) Cross-examination was conducted in respect of two issues:

The transfer of interest in the DOUGLAS brands from Shieling to Party A

22) Party A confirmed that he was appointed director of Shieling in August 2003, soon after Richmond Douglas' death. He also confirmed that due to the complexities of Richmond Douglas' estate, the DOUGLAS brands stayed with Shieling until the estate was finally settled in 2008. Party A stated that, until that time, the registered marks and the goodwill remained with Shieling.

23) Party A also explained that the goodwill in Shieling was licenced to him from Shieling after Richmond Douglas' death in 2003. There is no copy of the licence agreement in evidence and Party A explained that this is because it was 20 years ago and he has moved house since.

⁷³ Ibid, para. 32 and Exhibit SL8

24) It was pointed out to Party A that there is tension between the above and his first statement where he said that he made his personal ownership of the brands to Frederick Laing clear in 2003. It was put to Party A that when he was talking about “personal ownership” he was referring to Shieling’s ownership and control of the brands. Party A agreed with this. However, he maintained that he, personally, and not Shieling received royalties post-2003.

25) Party A confirmed that with his hand, in 2008 he assigned the two registered marks and attached goodwill from Shieling to himself personally. He stated that, at that time, he had recorded it “on a piece of paper” but that he no longer has it. He was unable to recall the terms of the assignment. Mr Aikens challenged him by stating that he did not write an assignment. In response, Party A replied

“I didn’t know I had to”;

and later added:

“I thought I wrote an assignment”

but then stated:

“I actually don’t know what an assignment is”

The existence of any licensing arrangement between Shieling and/or Party A and Douglas Laing

26) Party A, when directed to images of whisky bottles provided in his evidence, confirmed that they were not pure malt whisky but a blended malt whisky. These same bottles identified “The Shieling Scotch Co. Ltd. Edinburgh” a company of Richmond Douglas, as the distiller.

27) Mr Aikens put it to Party A that, when the relationship between Richmond Douglas and Douglas Laing began, it was because Frederick Laing was interested in the whisky endorsed by the Duke i.e. DOUGLAS OF DRUMLANRIG. It was Party

A's recollection that Frederick Laing was interested in all three brands i.e. DOUGLAS CLAN, DOUGLAS BLEND and DOUGLAS OF DRUMLANRIG. Mr Aikens took Party A to Exhibit SL4 that shows a bottle of DOUGLAS OF DRUMLANRIG single malt whisky distilled at the Macallan Distillery in 1990 and sold by Douglas Laing sometime from 2005. Party A confirmed that it was dated from 2005 or later and that its label indicated that it was "by appointment to the Duke of Buccleuch & Queensbury". It also contains the text "Personally selected by us from stocks at Langside Distillers". Party A confirmed that "Langside Distillers" is a brand name of Douglas Laing. Prior to this, Party A stated that it had been Richmond Douglas and the Duke who came up with the DOUGLAS OF DRUMLANRIG brand and "we" sold it, but that it was bottled by Whyte & MacKay.

28) Party A also confirmed that it was Richmond Douglas who introduced Frederick Laing to the Duke, but maintained that Douglas Laing paid a commission on sales of the whisky and that these payments were not an introduction fee relating to the Duke. However, Party A confirmed there was no written agreement but that they "shook hands on it" and later explained that the financial controller of Douglas Laing provided a "letter of comfort" (not in evidence).

29) Frederick Laing's letter to Party A of 5 December 2003 was put to Party A. It discusses the payment of commission. Party A maintained that this was a payment to him personally (rather than Shieling). He was then asked if he was at that time, the owner of the brands at that time. He replied:

"Yes, That was after Fred had come up with the idea of The Shieling licencing it to me, and then being sub-licensed to Douglas Laing, which was all done because of the complexity of Richmond's estate"

30) Party A went on to clarify that when saying that he received royalties personally, these were in his capacity as licensee of Shieling and sub-licensor to Douglas Laing.

31) Party A stated that the licence agreement with Douglas Laing was initially verbal but that it was documented by way of a letter from Party A to Douglas Laing provided at the request of the financial controller of Douglas Laing. Party A stated that he no

longer had this but recalls that it set out a licence from Shieling to himself, a sub-licence from himself to Douglas Laing and that it gave Douglas Laing the rights to sell the whisky.

32) Party A was directed to the letter of 13 June 2006 from Frederick Laing to Party A (Exhibit CRO-CRO-21) provided with his second statement. In the same letter, Frederick Laing stated “The Shieling Whisky Company has ownership and title of the DOUGLAS blend of Scotch Whiskies.” Party A stated that the reference to Shieling was a reference to him individually, despite acknowledging that Frederick Laing was correct when he went on to state that it was Shieling who owned the title to DOUGLAS at that point.

33) Despite Party A himself, in his third witness statement, drawing attention to the fact that the letter of 13 June 2006 only referred to one brand (“DOUGLAS blend”), under cross examination he maintained that he believed that use of word “blend” by Frederick Laing was an error and that he intended to refer to the word “brand” and therefore the letter was referring to all three of the DOUGLAS marks, including DOUGLAS OF DRUMLANRIG.

34) Mr Aikens explained to party A that it is Party B’s case that the letter did not cover DOUGLAS OF DRUMLANRIG branded whisky because at that time Douglas Laing had paid all commission due to Shieling for the introduction to the Duke. Party A disagreed, stating that there was an ongoing arrangement to pay commission as and when Douglas Laing sold DOUGLAS OF DRUMLANRIG whisky.

35) Party A was taken to Exhibit CRO-CRO-22 being a letter from Party A to Frederick Laing dated 10 August 2006. This set out the terms of an agreement with Douglas Laing as understood by Party A. The letter is not on headed paper, is not signed and there is no record that it was ever sent or that there was any commission paid after this date. All these points were accepted by Party A. Mr Aikens then challenged Party A to explain why later in his evidence (at Exhibit CRO-SWH-9) he produces a signed copy of the same letter. He explained that he would have printed the copy to send on headed paper and signed that version, and then he would have

printed a second copy on plain paper for his files (and would not sign it). He could not explain how a signed copy on plain paper was obtained.

36) Party A confirmed that there was no written communication between Frederick Laing of Douglas Laing and himself between 2006 and 2015 and neither were there any payments made by Douglas Laing to him, contrary to Party A's written evidence that there was an agreement where royalties would be paid annually.

37) Despite claiming in his written evidence that Frederick Laing knew about Party A's assignment of the registered marks in 2008, Party A confirmed that there was never any new agreement with Douglas Laing to reflect the change of ownership from Shieling to himself.

38) Party A was taken to Exhibit SL6 consisting of a "Label Approval Form" illustrating a DOUGLAS BLEND label. It is dated 20 May 2009. It contains the following text: "Distilled, blended and bottled in Scotland, Douglas Laing & Co. Ltd." Party A stated that he approved the label with the exception of the reference to Douglas Laing.

39) Party A was taken to Exhibit CRO-PAH-10 an email dated 17 March 2015 from Frederick Laing stating that he and Party A need "to reach some sort of accord to resolve what Philip [Hannay] regards as 'the log jam of royalty payments' ... I am taking such discussions to be solely on the blend, as Douglas of Drumlanrig ... seems to be outwith any such discussion." Later in the email he states "...rightly or wrongly, I believed the Duke held title of the brand, as he was receiving the royalty on [its] sales." It was put to Party A that this demonstrated that Frederick Laing did not think that Party A owned the DOUGLAS OF DRUMLANRIG mark and that the only royalties in respect of this whisky sold under this mark were going to the Duke. Party A did not except either of these propositions.

Cross-examination of Mr Stewart Laing

40) Mr Laing also struck me as an honest witness who confidently answered to questions put to him. On some small details, his memory was shown to not be perfect.

41) The issues on which Mr Laing was to be cross-examined were:

The creation and application for registration of Party B's DOUGLAS OF DRUMLANRIG mark

42) Mr Laing stated that it was his understanding that the Duke was paid royalties or commission against the sales of DOUGLAS OF DRUMLANRIG whisky and Party B “continued to offer the [current] Duke his commission” but that there is no written agreement between the current Duke and Party B.

43) Mr Laing stated that at the time of the demerger his brother, Frederick Laing, wrote that Douglas Laing had the title (of the DOUGLAS OF DRUMLANRIG mark) and passed the title to Party B.

Mr Laing's experience during his time at Douglas Laing

44) Mr Hannay drew attention to Mr Laing's second witness statement where he states that he was not aware of any whisky produced by Douglas Laing where the label referred to Shieling. He further stated on numerous occasions in his written statements that Douglas Laing had not sold CLAN DOUGLAS whisky. Mr Hannay challenged this by producing a bottle that appeared to be for the Mexican market that contained text referring to Shieling. Mr Laing maintained that he had not seen it before.

45) Mr Hannay referred to extracts from the assignation document between Douglas Laing and Party B, namely that Douglas Laing undertook to do “everything reasonably in its power to assist the Assignee in the defence of any proceedings by way of opposition to the registration of the Trade Marks (or associated Intellectual

Property as detailed above and in the Schedule)" which, as Mr Hannay pointed out, includes DOUGLAS OF DRUMLANRIG and DOUGLAS. Mr Hannay suggested to Mr Laing that he could have exercised his rights based upon this clause to obtain documentation from Douglas Laing. Mr Laing pointed to the fact that his brother had already indicated to him that Douglas Laing held no relevant documents.

46) Under questioning, Mr Laing confirmed that in respect of DOUGLAS marks, he was only interested in taking DOUGLAS BLEND and DOUGLAS OF DRUMLANRIG to Party B following the demerger. He further added that he has never used CLAN DOUGLAS and has no recollection of ever bottling it.

47) Mr Hannay questioned Mr Laing on the fact that the demerger and assignation of rights took place on 30 April 2013, but that Party B filed the application for the DOUGLAS OF DRUMLANRIG mark on 5 March 2013, i.e. 7 weeks before the rights were assigned to Party B. Mr Laing explained that he and his brother had agreed that he could do it. Mr Hannay pointed out that title did not pass to Party B until 30 April and therefore it did not own the legal right as of 5 March. Mr Hannay went on to claim that Mr Laing did not technically become director of Party B until 23 March 2013 and therefore, was not a director of Party B when the application to register the mark was made. Mr Aikens pointed out that this appeared to go to a limb of bad faith not pleaded. I will discuss this point later.

48) Mr Laing stated that because he had no knowledge of Mr Crombie and his claimed interest in the DOUGLAS brands, he was relaxed about the selection of marks for Party B at the demerger and he trusted his brother.

49) Mr Hannay questioned Mr Laing about his knowledge of the clearance searches undertaken before applying for the DOUGLAS OF DRUMLANRIG mark. Mr Laing's response was consistent with his written evidence that he had no knowledge of these.

Arrangements between Shieling and/or Mr Crombie and Douglas Laing and Bottling, marketing and sale of, and accounting and financial records relative to DOUGLAS whisky by Douglas Laing

50) To counter Mr Laing's written statement that he has never seen DOUGLAS OF DRUMLANRIG whisky bottles where Shieling is referred to on the label, Mr Hannay first presented Mr Laing with bottles of DOUGLAS OF DRUMLANRIG whisky from the time of the original agreement between Douglas Laing and Shieling and produced by Douglas Laing. Mr Hannay claimed that the label on the front was that produced by Shieling, however, I noted that on the back of the packaging, the distiller is identified as Langside Distillers (a mark of Douglas Laing). This rear label had been presented in evidence by Mr Laing at his Exhibit SL5. Mr Laing confirmed "[i]t is how we were told it was the crest [of the Duke]" and "[i] is why we were paying money to the Duke on every case that we have sold, both as Douglas Laing and as [Party B]". Mr Hannay put it to Mr Laing that the front label was changed at the time by Douglas Laing because it ran out of the labels supplied by Shieling. Mr Laing's recollection was that it was changed to improve its appearance.

51) Mr Hannay then produced bottles where the signature of the Duke appeared thereon. Mr Hannay stated that the signature is actually of the 9th Duke (not the current Duke). Once again, he put this to Mr Laing that this demonstrates that this was use of Shieling's label as per the agreement between Richmond Douglas, Shieling and Douglas Laing and that these three parties were working as a partnership. It is clear from Mr Laing's written evidence and from his responses to Mr Hannay, that it was his position that he does not have any knowledge of the original deal between Douglas Laing and Richmond Douglas.

52) Mr Hannay presented a bottle of DOUGLAS OF DRUMLANRIG whisky that he claimed was from the time (around 2001) when the original agreement was struck between Richmond Douglas and Douglas Laing. Mr Laing stated that he believed that the crest to be that of the Duke of Buccleuch and that is the reason why first Douglas Laing, and latterly, Party B are paying money to the current Duke (and his father before him) for every case sold.

53) In his response to Mr Hannay's questions, Mr Laing remained consistent in his responses that Douglas Laing updated the original DOUGLAS OF DRUMLANRIG label presented to them by Richmond Douglas to make it more saleable.

DECISION

Approach adopted on behalf of Party A

54) At the hearing, Mr Hannay submitted that I should take a holistic view of the cases rather than undertaking a consideration of each ground in turn. Whilst I will keep the overall circumstances in mind I must, nevertheless, consider the relative positions of each party in accordance with the guiding principles and case law guidance that exist for each ground.

55) There are two fundamental questions that are relevant when considering Party A's case under all the grounds pleaded and for his defence in the revocation proceedings. These are:

- (a) Who is the proprietor of the two marks relied upon by Party A as earlier marks for the purposes of the grounds based upon section 5(2)(b) and section 5(3)?
- (b) Who owned the goodwill in the unregistered signs relied upon by Party A for the purposes of the grounds based upon section 5(4)(a)?

56) These issues are raised by Party B and have an underlying importance to Party A's pleaded case. The first issue is relevant to both of the revocation proceedings and I consider this issue first. I will discuss the second issue when I consider Party A's section 5(4)(a) case raised in the invalidation proceedings.

Ownership of the two earlier registered marks and the impact upon (a) Party B's revocation based on non-use of Party A's marks, and (b) Party A's opposition against Party B's application

57) It is the case of Party A that he remembers that in November 2008 he wrote down the fact that he had transferred the ownership of the marks from Shieling to

himself and signed it in his capacity as sole director of Shieling. Section 24(3) of the Act reads:

“An assignment of a registered trade mark, or an assent relating to a registered trade mark, is not effective unless it is in writing signed by or on behalf of the assignor or, as the case may be, a personal representative”

58) Party A has been unable to produce this written assignment and neither is there any evidence that he appended it to the form (to change the trade mark register to record himself as the proprietor of these marks) he sent to the Registry at the time. Mr Hannay's approach, through these proceedings, is to implore me to look at the intent of Party A to shed light on what actually happened. However, even if I accept that Party A intended to transfer ownership to himself, there is no evidence that this was concluded in a way that fulfils the requirements of section 24(3). In fact, under cross examination on this point he conceded that he did not know what an assignment is. Creating an assignment document transferring ownership from the company of which you are the sole director to yourself implies at least a basic understanding of the law of property ownership. Therefore, Party's A acceptance that he did not know what an assignment is casts serious doubt on whether Party A understood what he was doing in 2008, or trying to do and, therefore, whether he effected an assignment at all. In these circumstances, the only way to remove this doubt would be to have sight of the alleged document.

59) Therefore, Party A has failed to demonstrate that the earlier marks, relied upon for the purposes of bringing grounds under section 5(2)(b) and section 5(3), were assigned to himself personally. In subsequent dealing with Douglas Laing, the exhibited evidence falls short of demonstrating that Douglas Laing treated Party A as if he was the owner of the marks. Exhibited documents, such as Party A email to Frederick Laing in 13 June 2006 and the reply of 10 August 2006 point to Party A acting in his capacity as representative of Shieling. Consequently, this evidence does not support the proposition that Party A was the owner of the registered marks relied upon.

60) In light of the above, I am unable to conclude that the two marks were assigned from Shieling to Party A in November 2008, as claimed. Consequently, Shieling was the proprietor of the two marks until it was dissolved in 2009, at which time its assets passed to the Crown becoming *bona vacantia*.

61) Therefore, the evidence fails to demonstrate that Party A is, or was ever the proprietor of the two earlier marks he relies upon. The fact the Party A is the recorded proprietor of the registrations on the Trade Mark Register is *prima facie* evidence that he was entitled to bring proceedings (section 72 of the Act). However, his failure to demonstrate that he is, or was, the proprietor means that he is unable to demonstrate that there was any use of the earlier marks by the proprietor or with his consent. Any use was by Shieling or with its consent.

62) As a consequence of the above, during the 5 year period ending on the relevant date in these proceedings (the date the invalidation proceedings were commenced, namely, 14 September 2015), Party A could not have made genuine use of either of the earlier marks relied upon.

63) In light of this finding, it is not strictly necessary for me to consider the issue of the nature and the scale of the use of these two registered marks. However, in case I am wrong I will also consider the evidence of use provided and whether this demonstrates genuine use.

Genuine Use

64) Section 46(1) of the Act states that:

“The registration of a trade mark may be revoked on any of the following grounds-

(a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the

goods or services for which it is registered, and there are no proper reasons for non-use;

(b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use;

(c).....
.....

(d).....

(2) For the purpose of subsection (1) use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes.

(3) The registration of a trade mark shall not be revoked on the ground mentioned in subsection (1)(a) or (b) if such use as is referred to in that paragraph is commenced or resumed after the expiry of the five year period and before the application for revocation is made: Provided that, any such commencement or resumption of use after the expiry of the five year period but within the period of three months before the making of the application shall be disregarded unless preparations for the commencement or resumption began before the proprietor became aware that the application might be made.

(4) An application for revocation may be made by any person, and may be made to the registrar or to the court, except that –

(a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and

(b) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer the application to the court.

(5) Where grounds for revocation exist in respect of only some of the goods or services for which the trade mark is registered, revocation shall relate to those goods or services only.

6) Where the registration of a trade mark is revoked to any extent, the rights of the proprietor shall be deemed to have ceased to that extent as from –

(a) the date of the application for revocation, or

(b) if the registrar or court is satisfied that the grounds for revocation existed at an earlier date, that date.”

65) Section 100 is also relevant, which reads:

“If in any civil proceedings under this Act a question arises as to the use to which a registered trade mark has been put, it is for the proprietor to show what use has been made of it.”

66) In *The London Taxi Corporation Limited v Frazer-Nash Research Limited & Ecotive Limited*, [2016] EWHC 52, Arnold J. summarised the case law on genuine use of trade marks. He said:

“I would now summarise the principles for the assessment of whether there has been genuine use of a trade mark established by the case law of the Court of Justice, which also includes Case C-442/07 *Verein Radetsky-Order v Bunderversammlung Kamaradschaft 'Feldmarschall Radetsky'* [2008] ECR I-9223 and Case C-609/11 *Centrotherm Systemtechnik GmbH v Centrotherm Clean Solutions GmbH & Co KG* [EU:C:2013:592], [2014] ETMR 7, as follows:

(1) Genuine use means actual use of the trade mark by the proprietor or by a third party with authority to use the mark: *Ansul* at [35] and [37].

(2) The use must be more than merely token, that is to say, serving solely to preserve the rights conferred by the registration of the mark: *Ansul* at [36]; *Sunrider* at [70]; *Verein* at [13]; *Centrotherm* at [71]; *Leno* at [29].

(3) The use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of the goods or services to the consumer or end user by enabling him to distinguish the goods or services from others which have another origin: *Ansul* at [36]; *Sunrider* at [70]; *Verein* at [13]; *Silberquelle* at [17]; *Centrotherm* at [71]; *Leno* at [29].

(4) Use of the mark must relate to goods or services which are already marketed or which are about to be marketed and for which preparations to secure customers are under way, particularly in the form of advertising campaigns: *Ansul* at [37]. Internal use by the proprietor does not suffice: *Ansul* at [37]; *Verein* at [14]. Nor does the distribution of promotional items as a reward for the purchase of other goods and to encourage the sale of the latter: *Silberquelle* at [20]-[21]. But use by a non-profit making association can constitute genuine use: *Verein* at [16]-[23].

(5) The use must be by way of real commercial exploitation of the mark on the market for the relevant goods or services, that is to say, use in accordance with the commercial *raison d'être* of the mark, which is to create or preserve an outlet for the goods or services that bear the mark: *Ansul* at [37]-[38]; *Verein* at [14]; *Silberquelle* at [18]; *Centrotherm* at [71].

(6) All the relevant facts and circumstances must be taken into account in determining whether there is real commercial exploitation of the mark, including: (a) whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods and services in question; (b) the nature of the goods or services; (c) the characteristics of the market concerned; (d) the scale and frequency of use of the mark; (e) whether the mark is used for the purpose of marketing all the goods and services covered by the mark or just some of them; (f) the evidence that the proprietor is able to provide; and (g) the territorial extent of

the use: *Ansul* at [38] and [39]; *La Mer* at [22]-[23]; *Sunrider* at [70]-[71], [76]; *Centrotherm* at [72]-[76]; *Reber* at [29], [32]-[34]; *Leno* at [29]-[30], [56].

(7) Use of the mark need not always be quantitatively significant for it to be deemed genuine. Even minimal use may qualify as genuine use if it is deemed to be justified in the economic sector concerned for the purpose of creating or preserving market share for the relevant goods or services. For example, use of the mark by a single client which imports the relevant goods can be sufficient to demonstrate that such use is genuine, if it appears that the import operation has a genuine commercial justification for the proprietor. Thus there is no *de minimis* rule: *Ansul* at [39]; *La Mer* at [21], [24] and [25]; *Sunrider* at [72]; *Leno* at [55].

(8) It is not the case that every proven commercial use of the mark may automatically be deemed to constitute genuine use: *Reber* at [32].”

67) At the hearing, Mr Aikens dropped Party B’s claim that there was no genuine use of either of Party A’s marks in the period 4 March 2008 to 3 March 2013, but maintained Party B’s case in respect of the other periods identified in its statement of case (and shown in paragraph 4, above). Mr Hannay stated that Party A only wished to rely upon use in the latest of the periods claimed (i.e. the five years ending on 25 August 2015) and he identified the following evidence that he submitted illustrated genuine use of Party A’s marks:

(i) *The ongoing agreement between Party A and his sole manufacturer and sales and marketing agent, namely Douglas Laing*

Even if an agreement did exist between Party A and Douglas Laing, it has not been provided in evidence and the scope of such is, therefore, unknown. Mr Hannay referred to various items of evidence that appear to illustrate negotiations leading to an agreement (such as the letter from Party A to Frederick Laing, dated 10 August 2006) but there is no evidence that it was ever agreed and even if it was what the precise terms were and which marks and versions of marks were included. Even if all of this was evident from the evidence, it would still be

insufficient to support the claim of genuine use because the mere existence of an agreement is not evidence that sales were actually made under that agreement. For all these reasons, I conclude that reliance upon a purported “ongoing agreement” is insufficient to support a claim of genuine use in respect of either of Party A’s earlier two registered marks.

(ii) The correspondence between Party A and the Duke

No such correspondence is in evidence. Party A, in his first witness statement refers to an agreement with the Duke dating from the 1990s that he would endorse existing DOUGLAS whiskies and a new DOUGLAS OF DRUMLANRIG whisky. A number of bottles of the latter are shown in evidence with the said endorsements. However, this evidence is not persuasive in considering genuine use of Party A’s two earlier registered marks because, at best, it supports a claim that the Duke agreed to endorse CLAN DOUGLAS and DOUGLAS BLEND whiskies, but it fails to illustrate any actual sales of whisky under either of these two labels. This does not support the claim of genuine use.

(iii) Telephone calls of Party A and Frederick Laing in February and March 2015 regarding the renewal of a licence in 2016

As part of a dialogue, some of which may have been by telephone, between Mr Hannay and Frederick Laing, Mr Hannay provided an email from Frederick Laing to Party A, dated 17 March 2015, where he stated that Douglas Laing had had no involvement in “the brands discussed” since 2013. It is Mr Hannay’s contention that “these brands” was a reference to the DOUGLAS whisky brands generally. Whether this is correct or not, the email fails to identify any use of the two earlier labels in particular during the relevant period (or any other). This does not support the claim of genuine use.

(iv) Filing of a new word mark on 11 March 2015

Firstly, this filing relates to the mark DOUGLAS OF DRUMLANRIG and not to either of the earlier registered marks relied upon by Party A. Secondly, Party A's position is founded upon the proposition that the filing was not made on his behalf, or with his consent. Consequently, use of the applied-for mark by Party B cannot constitute genuine use by Party A. Thirdly, the mere filing of an application is not evidence of use in trade. For all these reasons, this does not assist Party A in demonstrating that he has made genuine use of the mark applied for by Party B or the two earlier registered marks.

(v) A meeting between Party A, Mr Hannay and Frederick Laing on 10 March 2015 at Cloch Solicitors to discuss a "royalty logjam and the "future"

It is disputed by Party B that the reference to a "royalty logjam" refers to monies owed under a licence agreement between Party A and Douglas Laing. I have already found that the evidence fails to establish such an agreement existed or what the scope of it was, if it did exist. However, even if such a licence did exist, there is nothing to show that these royalties had accrued as a result of sales of whisky under the two earlier registered marks as opposed to other marks such as DOUGLAS OF DRUMLANRIG or versions of the earlier marks that differ in their material particulars and therefore, are not acceptable variants of the earlier marks. In the absence of further evidence linking these "royalties" specifically to the sale of whisky under the earlier marks, this limb of Mr Hannay's submission is not persuasive.

(vi) Frederick Laing's email of 17 March 2015 is suggestive of use

The email fails to identify what whisky brands are being discussed. Further, evidence that is "suggestive" falls short of the type of evidence required to demonstrate genuine use. I dismiss the submission that this evidence demonstrates otherwise.

(vii) The recording of “registered users” – registration of a licence (25 March 2015)

The recording of registered users is not evidence of genuine use because there is no evidence that these “registered users” actually used the earlier marks, but rather, it only indicates that they were entitled to use them.

(viii) Douglas Laing’s “old” website still live and showing a DOUGLAS branded whisky for sale

The exhibit in question (Exhibit CRO-CRO-12) consists of an undated screen shot that Mr Hannay described as an old but still accessible website of Douglas Laing. It shows a bottle with a DOUGLAS BLEND label similar, and possibly identical to the DOUGLAS BLEND label sign relied upon by Party A under his section 5(4)(a) grounds. This exhibit is not persuasive because the continuing accessibility of an old website showing an historical offer to sell goods cannot be equated with use of the earlier marks during the relevant periods for the purposes of creating or maintaining a market.

Part A also identifies a number of other uses of DOUGLAS OF DRUMLANRIG whisky prior to the involvement of Douglas Laing from 2003. These are shown at his Exhibits CRO-CRO-6 to CRO-CRO-9. These all illustrate sales of individual bottles at whisky auctions. This evidence suffers from several criticisms common to all the exhibits. Firstly, the nature of these sales appears to be re-sales of old bottles. Such sales are not under the control of the proprietor of the marks (whether this was Party A or someone else) and do not constitute use by the proprietor or by someone authorised by him. Secondly, they all relate to DOUGLAS OF DRUMLANRIG whisky and not to CLAN DOUGLAS or DOUGLAS BLEND whisky. The label of the first mark varies significantly from the registered earlier marks and consequently, would not qualify as genuine use of either of these.

68) Party A's case was based upon evidence of some considerable detail and I have not dealt with each and every point in my decision because whatever their merits, none of these points taken in isolation, or collectively, are sufficient to defeat the primary failings of Party A's case, namely that at the relevant date or at any other time before the relevant date, Party A did not own the earlier registered marks.

69) Mr Hannay submitted that one single use may constitute genuine use. However, there is not one clear single example of either mark in use, as registered, during the relevant periods.

70) All the points relied upon by Mr Hannay fall short of demonstrating genuine use of the earlier registered marks when considered individually or collectively. There are a number of exhibits illustrating various of Shieling's DOUGLAS whiskies (using different forms of the marks to those registered) offered on the secondary market such as online auction sites, but such use is not under the control of Party A and therefore, fail to show use by Party A or on his behalf. Mr Hannay submitted that use of other DOUGLAS marks by Douglas Laing under licence or a sub-licence from Party A amounted to use "of the essence" of the registered marks. I dismiss this submission for a number of reasons. Putting to one side the issue of whether there was a licence or sub-licence between Party A and Douglas Laing, there is no evidence demonstrating use of either of the earlier marks during the relevant period. There is an admission from Party B that there has been an ongoing trade by it in respect of DOUGLAS OF DRUMLANRIG whisky, and by Douglas Laing before it. However, it is very clear to me that such use does not constitute an acceptable variant use of either of Party A's marks when taking account of the guidance provided Mr Richard Arnold Q.C. (as he then was) as the Appointed Person in *Nirvana Trade Mark*, BL O/262/06.

Proper reasons for non-use

71) Party A never counterclaimed that it had proper reasons for non-use, however, Mr Hannay ran two further defences based upon this. As these were not pleaded in the counterstatement, they are inadmissible, however, for the sake of completeness, they would not have assisted Party A's case. I briefly set my reasons out below.

72) Mr Hannay ran this defence at the hearing on the basis that it was a fall-back position if I were to find that Party A did not own the goodwill in the DOUGLAS OF DRUMLANRIG mark. If I were to find as such (which I have), the case is that Party A believed that the goodwill resulting from Douglas Laing's trade in this whisky belonged to himself and that is why he made no other use of the mark. This approach conflates two separate issues. Firstly, the case of non-use relates to the registered marks relied upon by Party A (and not any associated goodwill). In respect of these marks, there is no use shown, either by Douglas Laing or Party A. There are a small number examples of a DOUGLAS BLEND whisky being sold on the secondary market, but as I have already commented, these do not assist. Further, these were in respect of labels that vary from the registered mark to the extent that they are not acceptable variant forms of the registered mark. I dismiss this.

73) The final reason for non-use was introduced in Mr Hannay's third witness statement⁷⁴. He submitted that whisky is not bottled every year and therefore there will be years when there is no use for a given whisky. Consequently, Mr Hannay submits that the claim to proper reasons for non-use "ought not to be immediately rejected". Whilst as a general proposition, this may have some merits, Party A has not provided any evidence of how this practice affected the production of his DOUGLAS CLAN or DOUGLAS BLEND whiskies. Therefore, this submission has no prospect of success. Further, as pointed out by Mr Aikens, these whiskies were blended whiskies and not single malt whiskies and the production of the former is not tied to specific years, unlike the latter.

74) I have found that there was no genuine use of either mark during the latter period identified. In light of the clarification made at the hearing that Party A does not rely on any use in any of the earlier periods, both of Party A's registered marks are revoked from the earliest dates claimed by Party B, namely 30 July 1941 in respect of registration 566867 and 21 October 1994 in respect of registration 1308406.

⁷⁴ Mr Hannay's 3rd witness statement, para 29 and Exhibit CRO-PAH-46

The Invalidation action against Party B's registration

Section 5(2)(b) and Section 5(3)

75) In light of my findings in respect of the revocation actions, there has been no genuine use of the earlier marks and, as a result, Party A's application to invalidate Party B's mark on grounds based on those earlier marks, must fail.

76) At the hearing, Mr Hannay made much of an unspecified amendment to the DOUGLAS CLAN mark. In light of my findings, this point has become irrelevant, but for completeness I comment briefly on the issue too. Checking the official record, there appears to have been an amendment to the mark made on 28 December 1973 under section 35 of the Trade Marks Act 1938. The precise amendment to the mark is not apparent from the official record. However, section 35 permitted amendments that are of a "manner not substantially affecting the identity [of the mark]". Consequently, even if I found it necessary to undertake a full consideration of the section 5(2) grounds, the fact that any change to the mark could not have substantially affected its identity, then neither would reliance upon the amended mark have any effect upon the outcome of any of my considerations.

Section 5(4)(a)

77) Section 5(4)(a) states:

"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, or

(b) [.....]

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of “an earlier right” in relation to the trade mark.”

78) Halsbury’s Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165 provides the following analysis of the law of passing off. The analysis is based on guidance given in the speeches in the House of Lords in *Reckitt & Colman Products Ltd v. Borden Inc.* [1990] R.P.C. 341 and *Erven Warnink BV v. J. Townend & Sons (Hull) Ltd* [1979] AC 731. It 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 the 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.

The restatement of the elements of passing off in the form of this classical trinity has been preferred as providing greater assistance in analysis and decision than the formulation of the elements of the action previously expressed by the House. This latest statement, like the House’s previous statement, should not, however, be treated as akin to a statutory definition or as if the words used by the House constitute an exhaustive, literal definition of passing off, and in particular should not be used to exclude from the ambit of the tort recognised forms of the action for passing off which were not under consideration on the facts before the House.”

79) Further guidance is given in paragraphs 184 to 188 of the same volume with regard to establishing the likelihood of deception or confusion. In paragraph 184 it is noted (with footnotes omitted) that:

“To establish a likelihood of deception or confusion in an action for passing off where there has been no direct misrepresentation generally requires the presence of two factual elements:

(1) that a name, mark or other distinctive feature used by the plaintiff has acquired a reputation among a relevant class of persons; and

(2) that members of that class will mistakenly infer from the defendant’s use of a name, mark or other feature which is the same or sufficiently similar that the defendant’s goods or business are from the same source or are connected.

While it is helpful to think of these two factual elements as successive hurdles which the plaintiff must surmount, consideration of these two aspects cannot be completely separated from each other, as whether deception or confusion is likely is ultimately a single question of fact.

In arriving at the conclusion of fact as to whether deception or confusion is likely, the court will have regard to:

(a) the nature and extent of the reputation relied upon;

(b) the closeness or otherwise of the respective fields of activity in which the plaintiff and the defendant carry on business;

(c) the similarity of the mark, name etc. used by the defendant to that of the plaintiff;

(d) the manner in which the defendant makes use of the name, mark etc. complained of and collateral factors; and

(e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.”

In assessing whether confusion or deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action.”

Relevant date

80) The relevant date for assessing if section 5(4)(a) applies has been discussed by Mr Daniel Alexander QC sitting as the Appointed Person in *Advanced Perimeter Systems Limited v Multisys Computers Limited*, BL O-410-11. A summary of the position provided by Allan James, for the Registrar, in *SWORDERS TMO-212-06* was quoted with approval and I reproduce it below:

“Strictly, the relevant date for assessing whether s.5(4)(a) applies is always the date of the application for registration or, if there is a priority date, that date: see Article 4 of Directive 89/104. However, where the applicant has used the mark before the date of the application it is necessary to consider what the position would have been at the date of the start of the behaviour complained about, and then to assess whether the position would have been any different at the later date when the application was made.”

81) Therefore, in the absence of any evidence of use by Party B of its mark before its filing date, or of any counterclaim to an earlier goodwill, the relevant date for the purposes of these proceedings is the filing date of the contested registration, namely 5 March 2013.

Goodwill

82) The earlier use by the claimant must relate to the use of the sign for the purposes of distinguishing goods or services. For example, merely decorative use of

a sign on a T-shirt cannot found a passing off claim: *Wild Child Trade Mark* [1998] RPC 455. A description of goodwill was provided by the House of Lords in *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217 (HOL), and it is still valid today:

“What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start.”

83) At the hearing, Mr Aikens accepted that goodwill exists in the DOUGLAS OF DRUMLANRIG sign, but he disputed that the goodwill associated with the marks or any other of the signs relied upon by Party A is owned by him. As I identified in paragraphs 57 and 58, this issue has the potential to bring this ground of invalidity to a conclusion and I, therefore, consider this point first.

Ownership of goodwill

84) There are several aspects of Party A's evidence that are revealing regarding the issue of goodwill. In his first witness statement he states that in 2003 the executors of Richmond Douglas' estate took the decision to transfer the DOUGLAS whisky brands business to him and that the rights in the brands and the goodwill in relation thereto were also transferred to him. The transfer of the “business” to Party A suggests that the legal owner of the goodwill remained as Shieling but that Party A became the owner of Shieling. However, Party A goes on to state that the rights in the brands and the goodwill in relation thereto were also transferred to Party A. In his third witness statement, he provides a different version of events. He states that, at the suggestion of Frederick Laing, he licensed the rights from Shieling to himself. He further states that he remembers writing this down and signing it in behalf of Shieling but no document can be found. Therefore, there is tension between Party A's own written statements as to whether the goodwill in the Shieling business was assigned to him personally or whether it was licenced to him. He was questioned on this during cross examination where he confirmed that his recollection was that he

licensed the goodwill in the various DOUGLAS marks to himself from Shieling. The significance of this is that, at no time did Party A own the goodwill in the brand, but merely licenced it from Shieling. Therefore, when Shieling was struck off the Companies Register in 2009, the goodwill, together with its other assets, became *bona vacantia* and passed to the Crown. This being so, as submitted by Mr Aikens, the ownership of the goodwill was retained by Shieling (as the licensor) and not by Party A (as licensee), and it follows that Party A cannot rely upon that goodwill at the relevant date in these proceedings, namely 5 March 2013, because at that date he was not the holder of the goodwill.

85) There was an attempt by Party A to admit into proceedings evidence to show that he had taken steps to restore Shieling to the Companies Register and then contemporaneously to assign all rights and title to himself. However, some of the evidence on this point was refused at a case management conference held on 8 December 2016 because I considered that it could not assist Party A's case. Regrettably, other elements of evidence on the same point have remained (in particular, the last sentence of paragraph 11 of Party A's third witness statement and his Exhibit CRO-SWH-10). My reasons for dismissing this limb of the evidence are that:

- (a) With Shieling being struck-off in 2009, the goodwill was lost. This remained the position as of the relevant date in these proceedings, namely 5 March 2013. Therefore, Party A was not the proprietor of any earlier right at the time the application for invalidation was filed;
- (b) Party A's pleaded case was that he was the proprietor of the earlier right at the relevant date and not Shieling;
- (c) Party A's own evidence, clarified under cross examination, is that he never owned goodwill in the signs relied upon, but rather they were licenced to him by Shieling. To retrospectively attempt to change the historical facts borne out in the evidence of this case, by drafting an contemporaneous assignment document with an effective date for the transfer of the goodwill stated as being 2003 is simply untenable;

- (d) Similarly, I have found that no assignment of the registered marks relied upon by Party A was undertaken and it is not possible to change this historical fact with a contemporaneous document;
- (e) Therefore, the restoration of Shieling and the subsequent assignment of any residual goodwill and the registered marks (with effective dates in 2003 and 2008 respectively) is irrelevant.

86) Party A also relies upon goodwill identified by the following signs: (1) DOUGLAS BLEND; (2) CLAN DOUGLAS and (3) THE DOUGLAS BLEND label shown at paragraph 2 of this decision. Insofar as it has been claimed that these marks do not differ in any substantial way from the two earlier registered marks and goodwill attached to one will also attach to the other, a similar situation exists. I found earlier that the registered earlier marks were not assigned to Party A and, by extension, neither was any goodwill. The only other scenario is that any goodwill identified by these marks was licenced to Party A, but I have already found that, if this was so, then ownership of the goodwill was retained by Shieling up to the point when it was struck-off in 2009. At no time was the goodwill owned by Party A. Therefore, insofar as Party A may rely on an argument that the ownership issue in respect of these signs is different to that in respect of the DOUGLAS and DOUGLAS OF DRUMLANRIG signs, it takes him no further forward.

87) At the hearing, Mr Aikens put particular reliance upon a further passage from *Wadlow, the Law on Passing Off*, namely paragraph 1-142:

The bleak conclusion of *Scandecor Development v Scandecor Marketing* [1999] FSR 26 (from the point of view of those who have to pay their lawyers' fees) [namely that in the absence of agreement, ownership of goodwill is ultimately a question of fact to be decided in the light of all the relevant circumstances] is alleviated for the prudent by the thought that in *Scandecor* itself, as in most other cases, a properly drawn agreement could and should have made it clear who was entitled to the relevant goodwill during the currency of the relationship and afterwards, and unless the agreement offended the

rule against transactions in gross, its terms would have been given effect.

...

Though there is a role for implied terms, there is a limit to what can be implied under the name of business efficacy, and the legal position in the absence of express agreement may be precisely the opposite to what the parties would have agreed if left to their own devices. In *MedGen v Passion for Life* [2001] FSR 26 the goodwill was held to belong to the distributor. However, if the issue had been addressed at the start of the relationship then MedGen's ownership would surely have been conceded, or MedGen would have looked elsewhere.

88) The circumstances surrounding the ownership of the goodwill relied upon by Party A in these proceedings falls into the type of situation the passage refers. Throughout the proceedings, Party A has coalesced the separate legal entities of himself as an individual legal person and Shieling. The consequence of this is that, whilst he believes he is the owner of any relevant goodwill, the evidence points to any such goodwill being retained by Shieling until it was struck off.

89) Therefore, based on the evidence before me, I find that Party A did not own goodwill in any of the DOUGLAS branded whiskies at the relevant date. I have no doubt that he genuinely believes that he does, but his claim to ownership is not supported by the evidence and it is clear from his clarification given in cross examination that he licenced the goodwill attached to the unregistered signs to himself and that he did not assign the registered marks (and by extension did not assign the goodwill that these registered marks were attached to).

90) In light of all of the above, I conclude that, at the relevant date or any date before that, Party A did not have the requisite goodwill and his claim based upon section 5(4)(a) fails.

91) Having made this finding, it is not necessary that I consider what goodwill exists because whatever my finding were, they would not overcome the flaw fatal to Party A's case, namely that any goodwill was not owned by him.

Bad Faith

92) Section 3(6) of the Act states:

“(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

93) The law in relation to section 3(6) of the Act (“bad faith”) was summarised by Arnold J. in *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch):

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

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

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

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

134. Fourthly, bad faith includes not only dishonesty, but also "some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined": see *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 at 379 and *DAAWAT Trade Mark* (Case C000659037/1, OHIM Cancellation Division, 28 June 2004) at [8].

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

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

137. Seventhly, the tribunal must first ascertain what the defendant knew about the matters in question and then decide whether, in the light of that

knowledge, the defendant's conduct is dishonest (or otherwise falls short of the standards of acceptable commercial behaviour) judged by ordinary standards of honest people. The applicant's own standards of honesty (or acceptable commercial behaviour) are irrelevant to the enquiry: see *AJIT WEEKLY Trade Mark* [2006] RPC 25 at [35]-[41], *GERSON Trade Mark* (Case R 916/2004-1, OHIM First Board of Appeal, 4 June 2009) at [53] and *Campbell v Hughes* [2011] RPC 21 at [36].

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

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

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

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

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

45. In such a case, the mark does not fulfil its essential function, namely that of ensuring that the consumer or end-user can identify the origin of the product or service concerned by allowing him to distinguish that product or service from those of different origin, without

any confusion (see, inter alia, Joined Cases C-456/01 P and C-457/01 P *Henkel v OHIM* [2004] ECR I-5089, paragraph 48)."

94) Party A pleaded case is that Party B was well aware of Party A's DOUGLAS OF DRUMLANRIG mark and Party A's (and his predecessor in title's) reputation in the whisky business. I found earlier that Party A had not assigned the earlier registered marks, nor the goodwill associated with any DOUGLAS marks and that these resided with Shieling up to the point it was struck off in 2009. It follows that any agreement negotiated with Douglas Laing by Party A was on behalf of Shieling. Such a finding is supported by the following:

- There is a total absence of corroboratory evidence that the rights and title to the goodwill and registered earlier marks were ever assigned to Party A. In fact, it is Party A's own evidence that, in respect of the goodwill in the unregistered DOUGLAS signs, he was only ever a licensee with the title remaining with Shieling until it was struck off in 2009;
- In his email to Party A of 13 June 2006, Frederick Laing suggested the text for a draft letter setting out that Shieling had ownership and title of the DOUGLAS blend of whiskies;
- Party A's apparent reply to Frederick Laing, dated 10 August 2006 was signed by him and underneath his signature is his printed name and the words "Shieling Scotch Whisky", once again indicating that Douglas Laing was dealing with Party A as the representative of Shieling at that time and that it was Shieling that both parties appeared to believe was the owner of the DOUGLAS brand of whiskies;
- Party A provides (at Exhibit CRO-CRO-8) an exhibit showing a bottle of DOUGLAS BLEND whisky apparently for sale on Douglas Laing's website and apparently with the label bearing a reference to Shieling. He claims that this is evidence of the existence of a licence agreement between Douglas Laing and Party A. Once again, I do not agree. At its highest point, the reference to Shieling on the label, indicates there may have been an agreement with it at some point before it was struck off, but not that there was an agreement with Party A.

95) In these circumstances, it is reasonable for Douglas Laing generally, and Frederick Laing specifically, to believe that the entity in which any verbal agreement was struck ceased to exist when Shieling was struck-off the Companies Register. Further, it is Party A's own case that he made no further contact with Douglas Laing after the communications of 2006 (despite the purported agreement apparently stating that royalties would be paid annually). This lends support to any residual goodwill still owned by Shieling being abandoned as a result of Shieling being struck-off, or at the least, that is how it would have been perceived by Frederick Laing, Douglas Laing and Party B. In these circumstances, there is no evidence that Party B was acting in bad faith by applying to register the mark some four years after Shieling was struck off.

96) Party A's case based upon bad faith expanded during the proceedings and Mr Hannay additionally submitted that:

- Use by Party B is wholly contingent upon the existence and consent of third parties, namely those of Douglas Laing.
- If Douglas Laing had title of the mark until 20 April 2013, Party B would have had no title at the date it filed the application on 5 March 2013.

97) Even if I accepted that this was properly pleaded, it is my view that it had no prospect of success. In respect of the first point, no case has been asserted against Party B by Douglas Laing. Further, it is unlikely that the making of the application amounted to bad faith if, as it appears, any perceived rights in the mark were in the process of being transferred to Party B as part of the demerger of the two companies. The making of preparations for a future business does not amount to bad faith. I dismiss Party A's submission.

98) In respect to the second point, Douglas Laing were not the proprietors of a registration for the mark. It may have had a claim to the goodwill identified by the mark but it would still be a prudent business action for Party B to apply to register a mark that was currently unregistered if it was about to acquire any goodwill still attached to such a mark. Even if I am wrong in this, the mere filing of the application

would not necessarily amount to bad faith if it was done in a way that was not contrary to the wishes of Douglas Laing. There is no evidence before me that this was so. Therefore, I dismiss Party A's submission.

99) Finally, I comment very briefly on Party A's further submission that also only became apparent late in the proceeding. It is submitted that Party B (through the actions of Mr Laing) had no intention to use the mark and therefore acted in bad faith when declaring otherwise on the application form. At the hearing, Mr Hannay submitted that there were procedural reasons as to why Party A was entitled to run such an argument. Having reviewed Mr Hannay's reasons, I do not agree. However, it is not necessary for me to detail the reasons because, even if this was correctly pleaded, it would have no prospect of success. However, I will state that bad faith allegations must be clearly pleaded so that the respondent knows exactly which allegations he is being asked to meet. It ought not, therefore, be a matter of debate as to whether a specific bad faith allegation has been made or not. The reasons why the submission has no prospect of success is, briefly:

(i) It is contested as to what date Stuart Laing was appointed director of Party B.

This is despite Mr Hannay's own evidence (at his Exhibit CRO-PAH-3) in the form of a copy of the appointment form filed at Companies House on 22 March 2013 recording Mr Laing's appointment on 1 March 2013.

Nevertheless, whether it was before or after the filing date of the contested mark does not have any significance to the claim of bad faith. The application was filed electronically by Murgitroyd (Party B's trade mark representatives) and it made no mention of Mr Laing personally nor was it signed by him. Therefore, there is no false claim to use the mark made by Mr Laing.

(ii) There are no rights in an unregistered sign, therefore the "title" referred to by Mr Hannay must have been title to any goodwill associated with the sign rather than the trade mark itself. Consequently, it is not an act of bad faith to apply for a mark in the realistic expectation that title in the goodwill was about to be assigned to the applicant.

(iii) There is nothing to cause me to doubt that Douglas Laing would have been content for Hunter Laing to make the application.

100) It is the case of Party B that Douglas Laing had been selling DOUGLAS OF DRUMLANRIG whisky and that Party B intended to continue this trade. Mr Laing, under cross examination, made this clear and stated that Party B has continued the trade. The fact that the application was made before the demerger was complete, does not alter the fact that Party B intended to use the mark in the future. In light of this, Party A's submissions are dismissed.

Further limbs of Party A's bad faith case

101) I comment briefly upon the following additional issues:

- if in his dealings with Party A, Frederick Laing recognised that Party A was negotiating some form of licence agreement (as Party A asserts) rather than an introduction fee (as asserted by Party B), the evidence points to Party A acting as a representative of Shieling. This shows no more than an agreement between Douglas Laing and Shieling. With Shieling being struck off in 2009, any goodwill that it may have licenced to Douglas Laing was abandoned. It does not show that there was an agreement with Party A.
- In cross examination Mr Laing was exposed as having a faulty memory in respect of the precise labels used by Douglas Laing during his time with them. However, evidence of a faulty memory is not the same as exposing that he knew that the position between the parties was any different to what he has claimed. The potential existence of bottles of DOUGLAS BLEND or DOUGLAS OF DRUMLANRIG branded whisky referring to Shieling is consistent with an agreement with Shieling, but with Shieling being struck off in 2009 and Party A not contacting Douglas Laing between 2006 and 2015 despite his case being that there was a ten year agreement in place since 2006 where royalties would be paid annually, it would be reasonable for Douglas Laing to proceed on the basis that any goodwill that would have been licenced to it had been abandoned following Shieling being struck off. There is no such thing as a licence to an unregistered mark. An unregistered mark is not a property right as such. Further, although the goodwill identified by an

unregistered mark is a property right, it is tied to a particular business and cannot be licensed in the way that registered marks can. Therefore, a licence to use a sign associated with someone else's goodwill is really just an agreement not to use any passing off rights that may exist against the 'licensee'. That sort of 'licence' naturally expires when the goodwill that gives rise to the passing off right evaporates over time or is abandoned. In such circumstances it would also be natural for the bottles of whisky it produced to refer to Langside Distillery, Douglas Laing's own brand.

- In respect to Mr Hannay's evidence that Party B's accounts provided to Companies House have not recorded assets in the form of goodwill or trade marks. I note this, but in light of all the other evidence that I have already commented upon, this would appear to identify a potential fault in its accounts rather than any bad faith associated the filing of the application. Further, it does not assist Party A's case that any goodwill resided with him.
- Party A has submitted that if Mr Laing cannot provide evidence of an introducer agreement in respect of the Duke (as is Party B's case) then he must have acted negligently as a director. Similarly, if he did not know of such an agreement then this also amounts to him acting negligently and in breach of his directorial duties to exercise reasonable care and diligence⁷⁵. These are issues of company conduct and its relevance to these proceedings is only that no introducer agreement has been put in evidence, a fact that has been taken into account as part of the factual matrix of this case.
- Mr Crombie claims that the letter (at Mr Laing's Exhibit SL3) from the current Duke where he states that he is content with the current arrangements with Party B is at odds with the contractual arrangement between Shieling and the previous Duke⁷⁶. As I have already found, whatever the position might have been before, there has been no contractual arrangements between Shieling and Douglas Laing or the previous Duke since 2009 when Shieling was struck-off. Therefore, this point does not support Party A's case.

⁷⁵ Mr Crombie's 2nd witness statement, paras. 9 and 10

⁷⁶ Mr Crombie's 2nd witness statement, para. 20

SUMMARY

102) Party B is wholly successful in respect of two applications for revocation. Party A's registration 566867 THE DOUGLAS BLEND label mark is revoked from 30 July 1941 and his registration 1308406 CLAN DOUGLAS label mark is revoked from 21 October 1994.

103) Party A's opposition to Party B's application to register the mark DOUGLAS OF DRUMLANRIG fails in its entirety.

COSTS

104) Party B has been successful and is entitled to a contribution towards its costs, according to the published scale in Tribunal Practice Notice 4/2007. At the hearing, Mr Aikens submitted that costs off the published scale are appropriate in this case because of the way the proceedings have been conducted on behalf of Party A and because this has led to Party B incurring "very substantial sums in costs".

105) I, therefore, informed the parties that I would invite them to provide written submissions on the issue of costs. Party B are allowed 14 days from the date of this decision to provide its submissions. Party A are allowed a further 14 days from receipt of Party A's submissions to provide its submissions. I will then issue a supplementary decision on costs. This is a final decision on the substance of the cases.

Dated this 22nd day of November 2017

Mark Bryant
For the Registrar
The Comptroller-General