O-352-20

TRADE MARKS ACT 1994

IN THE MATTER OF APPLICATION No.3350970

BY HAYMAN-JOYCE PROPERTY LIMITED

TO REGISTER IN CLASSES 35 & 36

THE SERIES OF TWO TRADE MARKS

HAYMAN-JOYCE

&

HAYMAN JOYCE

AND

IN THE MATTER OF JOINT OPPOSITION THERETO

UNDER No. 415515

BY

CHARLES ROBERT HENRY COMBER

& COMBER CONSULTANCY SERVICES LIMITED

BACKGROUND

1) On 5 November 2018, Hayman-Joyce Property Limited (hereinafter the applicant) applied to register the series of two trade marks HAYMAN-JOYCE & HAYMAN JOYCE in respect of the following services:

> In Class 35: Auctioneering services; arranging and conducting auctions; online auctioneering; property auctioneering services.
>
> In Class 36: Real estate affairs; real estate brokerage; real estate appraisal; rental of real estate; real estate management; real estate agency services; rental of offices [real estate]; financial evaluation [real estate].

2) The application was examined and accepted, and subsequently published for opposition purposes on 16 November 2018 in Trade Marks Journal No. 2018/046.

3) On 18 February 2019 Charles Robert Henry Comber & Comber Consultancy Limited (hereinafter the opponents) jointly filed a notice of opposition, subsequently amended. In summary the grounds of opposition are:

a) The opponents contend that they have used the signs HAYMAN-JOYCE and HAYMAN JOYCE in the UK, specifically “Broadway, Worcestershire and the surrounding areas of approximately a 9 mile radius” since 1998 in relation to “Real estate services including residential sales, sale of freehold commercial property, property auctions and Valuations”. The opponents contend that they have reputation in the signs and that given the similarity of the signs and services, use of the mark in suit would cause misrepresentation, and damage to their business and reputation and as such the mark in suit offends against section 5(4)(a) of the Act.

b) The opponents also contend that the mark was applied for in bad faith as the parties were in a partnership and jointly using the mark in suit. The mark was applied for without the knowledge of the opponents. The mark in suit therefore offends against section 3(6) of the Act.

4) On 15 July 2019 the applicant filed a counterstatement basically denying all the grounds of opposition. The applicant denies that the opponents had any rights at the relevant date and provides a history of the use of the mark which I shall refer to later in this decision.

5) Both sides filed evidence; both sides seek an award of costs in their favour. The matter came to be heard on 24 June 2020 when Ms Jones of Counsel instructed by Messrs Temple Bright LLP represented the applicant; The opponents were represented Mr Gamsa of Counsel instructed by Messrs Shakespeare Martineau LLP.

6) **FACTS WHICH I TAKE FROM THE COMBINED EVIDENCE**

a) In 1991 James Hayman Joyce (JHJ) practiced as a Chartered Surveyor, Estate Agent and Auctioneer under and by reference to the Marks (as applied for and in a logo format), as a sole trader, from premises at Compton House, High Street, Moreton-in-Marsh (approximately 8 miles away from Broadway) ('the Moreton Business').

b) In May 1997 JHJ opened an office at 5 The Green, Broadway and employed Mr. Comber as manager ('the Broadway Business'). The Broadway Business traded in residential sales initially although expanding later into full estate agent services under and by reference to the instant mark. At the same time and at all material times since, the Moreton Business (through its successors and assigns) has continued with its business in the Moreton-in-Marsh area (including lettings (residential and commercial), auctions, valuations and commercial sales). On 1 May 1998, JHJ and Mr. Comber created a partnership for the Broadway Business. The terms of the partnership are evidenced in a Partnership Deed dated 29 January 1999 (enclosed as Exhibit CRHC1, the "Deed of Partnership"). The partnership traded as HAYMAN-JOYCE; and excluded the Moreton Business and all assets used therein. Both the Moreton Business and the Broadway Business have been and are advertised on the same website. On 31 July 2010 the Partnership was dissolved, and a new partnership business was formed for tax purposes. This business was known as Hayman-Joyce Broadway LLP (HJB LLP). The assets, trade and goodwill of the Partnership was transferred to Mr Comber and JHJ who each set up a service company Comber Consultancy Services Limited (CCS) and Hayman Joyce Limited (HJL) respectively and transferred the bulk of the assets etc into these service companies, again for tax purposes. The result of these changes was that Mr Comber, JHJ, CCS and HJL were the partners in HJB LLP. At the time of the change from the original partnership to HJB LLP the goodwill was valued at £825,000. However, HMRC queried this valuation and instead valued it at £442,470. This goodwill was not equally split with 70% belonging to Mr Comber and 30% to JHJ. Also, in July 2010 the assets, trade and goodwill of the Moreton Business were also transferred to Hayman-Joyce Ltd and a new LLP, Hayman Joyce Moreton LLP was formed ('HJM LLP'). This business was run and partly owned by Tom Hayman-Joyce (the son of JHJ) who later (August 2014) formed a company Hayman-Joyce Property Ltd (HJPL, the Applicant) and purchased the business from his father.

c) There is no written LLP agreement for HJB LLP, but it was always intended by Mr Cromer and James Leslie Hayman-Joyce (JHJ; the other partner of the Partnership, a member of HJB LLP and the father of the Applicant) that HJB LLP was to operate under the Deed of Partnership. HJB LLP traded under the marks HAYMAN-JOYCE and HAYMAN JOYCE although there is some disagreement as to whether they carried out all the services claimed by Mr Comber. It is not argued that they did provide real estate services of residential units although the claims regarding commercial premises, valuations and auctions of properties are disputed. Turnover for HJB LLP was over £5million for the period 2010 to 2019. The marks were used on boards outside properties for sale or let and in advertising. The website was paid for and controlled by the partners.

d) It is clear that Mr Comber and JHJ initially as simple business partners and then later as partners in HJB LLP have used the marks HAYMAN JOYCE / HAYMAN-JOYCE since 1 May 1998 to date, in respect of estate agent services generally in an area around the office in Broadway, although certain marketing and advertising reached far wider audiences. At the same time JHJ (until 2010), then HJM LLP (until August 2014) and finally HJPL (to date) also used the marks HAYMAN JOYCE / HAYMAN-JOYCE in respect of estate agent services generally in an area around the office in Moreton.

OPPONENTS' EVIDENCE

7) The opponents filed two witness statements. The first dated, 3 October 2019, is by Charles Robert Henry Comber who states that he is both the first opponent in these opposition proceedings, and the sole director and shareholder of Comber Consultancy Services Limited, the second opponent. He provides a history of the partnerships which I set out later in this decision. He states that he is a member of Hayman Joyce Broadway LLP (HJB LLP) and was a partner of the Hayman-Joyce partnership ("the Partnership"). On the issue of goodwill, he states:

> "18. It has always been my understanding that JLHJ [James Leslie Hayman-Joyce] and I owned the assets of the Partnership in our own names, Including the reputation and goodwill of the Partnership, In accordance with clause 10 of the Deed of Partnership. I believe that this understanding was shared with JLHJ at the relevant time, and there was no agreement, written or otherwise, to the contrary."

8) Mr Comber contends that discussions regarding registering the trade mark were held and a proposal was made for a joint application by HJB LLP and Thomas Leslie Hayman-Joyce (TLHJ), the sole director and shareholder of the Applicant. He states that he was involved with branding decisions and refers to exhibit CRHC13 which are minutes of a management meeting on 11 December 2012 which show at paragraphs 1.1 and 1.2 that he indeed has an input into such decisions. He denies ever agreeing to a licence to allow HJB LLP to use the marks. He provides at exhibit CRHC14 what he describes as a contemporaneous note of a meeting on 1 November 2018 which shows that Mr Comber had a number of questions about a co-existence or licensing agreement and that he feels he has a right to use the marks in suit. He contends that he had no prior knowledge that the application was being made, only finding out after it had been filed. He provides the following exhibits:
CRHC1: A copy of the partnership agreement which includes:

> "10. Unless otherwise agreed in writing by the partners all assets used by the partnership shall be assets of the partnership and shall belong to the partners in the proportion in which the amounts for the time being standing to the credit of their respective capital accounts bear to the total of such amounts.
>
> For the avoidance of doubt the Moreton Business and all assets used therein shall be expressly excluded from the partnership property."

And:

> "25.Upon dissolution of the partnership in any event not otherwise provided for its affairs shall be wound up in a manner provided by the Partnership Act 1890 except that the Goodwill (if any) of the practice shall not be sold and each partner may individually or collectively continue the business carried on by the partnership but none of them shall use the name of any other Partner without the consent of such other partner or his personal representative and none of them shall use the name of the partnership."

- CRHC2 & 4: Evidence of services provided by the partnership in selling houses, commercial properties, providing valuations and carrying out property auctions.

- CRHC9: Screenshots of examples of use of the signs on premises offered for sale etc.

9) The second, dated 3 October 2019, is by Robert William Peter Bowen a chartered accountant and senior partner with H.L Barnes and Sons. He states:

> “14. An LLP (such as HJB LLP) is essentially treated the same as a traditional partnership for tax purposes. Members of an LLP are deemed to be "partners" as if It were a traditional partnership structure, and are taxed individually rather than the LLP being taxed as a whole.”

APPLICANT’S EVIDENCE

10) The applicant filed three witness statements, The first, dated 9 December 2019, is by James Leslie Hayman-Joyce, a partner in HJB LLP and also a Director of Hayman-Joyce Ltd (HJL). Much of his evidence regards the history of the partnerships and is summarised later in this decision. He does state that he started using the brand Hayman-Joyce in 1991 as a sole trader which then was owned by Hayman-Joyce Moreton LLP and later sold to his son Tom and became HJPL (Hayman Joyce Property Ltd). He never sold the brand to HJB LLP as he claims clause ten of the partnership agreement makes clear. He states that he believes that HJB LLP uses the brand under an implied license from HJPL.

11) The second witness statement, dated 9 December 2019, is by Asad Noorani, a chartered accountant working for Tayabali Tomlin accountants who until 2015 worked for HJB LLP and since then has worked for HJPL and HJL. He explains various elements of tax law and states his opinion that goodwill is owned by the LLP not the individual partners.

12) The third witness statement, dated 9 December 2019, is by Tomas Leslie Hayman-Joyce (TLHJ) the sole director of Hayman Joyce Property Ltd (HJPL). He states that both the Moreton and Broadway offices (under whichever ownership) have always worked well together and because of this both businesses are highly successful. He claims that it is the Moreton office which deals with branding issues, dating back to when his father owned the business and ran both offices effectively from Moreton. He acknowledges that many of the costs of software and the website etc are split between the businesses, but he points out that the costs of the renewal of the domain name sites are

borne by the Moreton office alone. He also states that if he proposes a course of action which is not agreed by HJB LLP then he sometimes simply goes ahead and pays the cost from his business. He provides examples of such expenditure but also accepts that HJB LLP also carries out marketing activities for which HJB LLP pay the full cost. He provides numerous examples where he has proposed marketing activities which have been rejected by Mr Comber but where TLHJ has gone ahead and spent his company's money promoting the brand that both companies use. He cites this as meaning that HJB LLP do not participate in the decision-making processes, but I do not accept this view. It is clear that TLHJ believes that the note of the meeting of 1 November 2018 mentioned by CRHC is, in his view, partial. TLHJ appears to be under the impression that CRHC might be amenable to a licence.

OPPONENTS' EVIDENCE IN REPLY

13) The opponents filed two witness statements. The first, dated 16 March 2020 is by Mr Bowen who has provided evidence earlier in this decision. He repeats his view that the goodwill in the original partnership vested in the two partners and not HJB LLP. He also states that there is goodwill in the Broadway business which is owned by both JHJ and the opponents whether it be via their respective companies or the LLP.

14) The second witness statement, dated 16 March 2020, is by Mr Comber who has already provided evidence in this case. He points out that there is no evidence of a licence ever having been agreed at any point in the history of the marks. He points out that many of the costs incurred by the Moreton office were signed off by JHJ who was a partner in both the Morton and Broadway businesses at the time he signed off the expenditure. He also cites many examples of advertising paid for by the Broadway office. He also provides evidence of sales of commercial properties, auctions and valuations although he accepts that he is not permitted to do certain of these activities he points out that his business partner JHJ was, and is, and it was he who signed off valuations as he was professionally permitted to do, even though the work was carried out by staff at the Broadway office. Mr Comber disputes the version of the meeting of 1 November 2018 put forward by TLHJ.

DECISION

15) The facts set out above in paragraph 6 were accepted in full by the applicant with the exception of the statement at point c above which states "but it was always intended by Mr Cromer and James Leslie Hayman-Joyce (JHJ; the other partner of the Partnership, a member of HJB LLP and the father

of the Applicant) that HJB LLP was to operate under the Deed of Partnership”. The applicant contends that the original partnership which this agreement covered was dissolved in 2010 and that several efforts had been made in the years subsequent to 2010 to reach a new agreement for the new partnership.

16) For its part the opponent agreed with the summary at paragraph 6 in full.

17) I shall first consider the ground of opposition under section 5(4)(a) which reads:

> “(4) A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented-
>
> > (a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, where the condition in subsection (4A) is met,
> >
> > (aa) …..
> >
> > (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.”

Subsection (4A) of Section 5 states:

> “(4A) The condition mentioned in subsection (4)(a) is that the rights to the unregistered trade mark or other sign were acquired prior to the date of application for registration of the trade mark or date of the priority claimed for that application.”

18) In *Discount Outlet v Feel Good UK,* [2017] EWHC 1400 IPEC, Her Honour Judge Melissa Clarke, sitting as a deputy Judge of the High Court, conveniently summarised the essential requirements of the law of passing off as follows:

"55. The elements necessary to reach a finding of passing off are the 'classical trinity' of that tort as described by Lord Oliver in the Jif Lemon case (Reckitt & Colman Product v Borden [1990] 1 WLR 491 HL, [1990] RPC 341, HL), namely goodwill or reputation; misrepresentation leading to deception or a likelihood of deception; and damage resulting from the misrepresentation. The burden is on the Claimants to satisfy me of all three limbs.

56. In relation to deception, the court must assess whether *"a substantial number"* of the Claimants' customers or potential customers are deceived, but it is not necessary to show that all or even most of them are deceived (per *Interflora Inc v Marks and Spencer Plc* [2012] EWCA Civ 1501, [2013] FSR 21)."

19) Halsbury's Laws of England Vol. 97A (2012 reissue) provides further guidance with regard to establishing the likelihood of deception. In paragraph 309 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."

20) I must first consider the relevant date. In *SWORDERS TM* O-212-06 Mr Allan James acting for the Registrar well summarised the position in s.5(4)(a) proceedings as follows:

> "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."

21) It is clear that the applicant has been using the mark since August 2014, and so the position at this date will have to be considered as well as the application or relevant date of 5 November 2018.

22) The applicant has questioned the standing of the opponents, pointing out that the goodwill in the name does not reside with the partners individually but the partnership as a whole; whereas the opposition has been brought in the name of Mr Comber and his limited company. The applicant points out that this issue was initially flagged up by the UKIPO in its letter dated 5 March 2019 which stated:

"We note that the notices of threatened opposition and opposition are in the name of an individual namely Mr Charles Robert Henry Comber, however in relation to the section 5(4)(a) claim, the statement of grounds states that actionable goodwill has been generated by the partnership/LLP. Please confirm whether the opposition is to proceed solely in the name of the individual."

23) In their reply dated 25 March 2019 the opponents stated:

"We confirm that the Opposition is to proceed in the name of Mr Charles Robert Henry Comber, as opposed to the Partnership and/or HJB LLP.

As stated in paragraph 6 of the Statement of Grounds accompanying Form TM7, the Opponent, as a partner of the Partnership, acquired and owns valuable goodwill and reputation in the Signs in relation to the Services. Such goodwill and reputation is held in his own name.

The Deed of Partnership dated 29 January 1999 (enclosed at Annex 1) provides at clause 10:

"Unless agreed otherwise in writing by the Partners all assets used by the Partnership shall be assets of the partnership and shall belong to the Partners in the proportion in which the amounts for the time being standing to the credit of their respective capital accounts bear to the total of such amounts" [Emphasis added]

There has been no agreement, written or otherwise, between the Partners (the Opponent and James Leslie Hayman-Joyce) to the contrary regarding ownership of the Partnership's reputation and goodwill.

As explained in paragraph 7 of the Statement of Grounds, such goodwill would not have extinguished since trading as HJB LLP.

Goodwill was valued at £825,000 by the Partnership and HJB LLP's accountants as at 31 July 2010. This was owned 70% by the Opponent, and 30% by James Hayman-Joyce, in their own names.

No goodwill has ever been transferred from the Partnership, or the Partners of the Partnership, to HJB LLP."

24) This would appear to be contradicted by the views of Laddie J. in *Saxon Trade Mark* [2003] FSR 39, where he stated:

> "25 Absent special facts such as existed in *Burchell*, the rights and obligations which arise when a group of musicians, performing in a band as a partnership, split up can be explained as follows. It is convenient to start by considering the position when two, entirely unrelated bands perform under the same name. The first performs from, say, 1990 to 1995 and the second performs from 2000 onwards. Each will generate its own goodwill in the name under which it performs. If, at the time that the second band starts to perform, the reputation and goodwill of the first band still exists and has not evaporated with the passage of time (see *Ad-Lib Club Ltd v Granville* [1972] R.P.C. 673) or been abandoned (see *Star Industrial Co Ltd v Yap Kwee Kor* [1976] F.S.R. 256) it is likely to be able to sue in passing off to prevent the second group from performing under the same name (see Sutherland v V2 Music [2002] EWHC 14 (Ch); [2002] E.M.L.R. 28). On the other hand, if the goodwill has disappeared or been abandoned or if the first band acquiesces in the second band's activities, the latter band will be able to continue to perform without interference. Furthermore, whatever the relationship between the first and second bands, the latter will acquire separate rights in the goodwill it generates which can be used against third parties (see *Dent v Turpin* and *Parker & Son (Reading) Ltd v Parker [1965] R.P.C. 323)*. If the first band is a partnership, the goodwill and rights in the name are owned by the partnership, not the individual members, and if the second band were to be sued, such proceedings would have to be brought by or on behalf of the partnership. [emphasis added].
>
> 26 The position is no different if the two bands contain common members. If, as here, they are partnerships at will which are dissolved when one or more partners leave, they are two separate legal entities. This is not affected by the fact that some, even a majority, of the partners in the first band become members of the second. A properly advised band could avoid the problem that this might cause by entering into a partnership agreement which expressly provides for the partnership to continue on the departure of one or more members and which expressly confirms the rights of the continuing and expressly limits the rights of departing partners to make use of the partnership name and goodwill. This is now commonplace in the partnership deed for solicitors' practices."

25) I have underlined the part where the learned judge states that the goodwill is owned by the partnership and not the individuals and that any proceedings would have to be brought by the partnership.

26) At the hearing I put this point to Mr Gamsa and he made the following points:

1. "So, with regard to the goodwill, what we have as at the date of April 2011 is a valuation of this local goodwill in the Broadway area of £825,000. We see that in the exhibits to Mr. Bowen's witness statement. He is my client's accountant, as you will have understood, and he shows the transfer into what I have called the CCS limited company. That is Mr. Comber's (Charlie's) service company. That is at his exhibit 1." This was accepted by Ms Jones.

2. "You ask how the private company can have standing. There, it shows the transfer into the private company of the goodwill from the partnership, and we see Mr. Comber paying capital gains tax on that transfer. That is at exhibit 4 to Mr. Bowen's witness statement at page 1. The capital gains results because, at the start of the partnership, the goodwill had no value. It has grown in value; i.e. the capital has increased. But there has been a transfer out of that. That is what crystallises the capital gains tax and requires a payment of some £55,000 of capital gains tax, and that is because there is a transfer from the individual as a member of the partnership into the company."

3. "Why there must be a transfer here is because the companies are not part of the original deed of partnership. So, the only way in which the companies acquire the share and have to pay tax on that disposal is if there has been a transfer of the goodwill from the partners, who are the people, to the companies, who were not part of the original deed of partnership. That is why there is a capital gains charge. It is only consistent with a transfer -- a sale. A capital gains is payable in the sale of the goodwill. So the fact is that we now see over £300,000 of goodwill shown on the company accounts and the capital gain paid by Mr. Comber for the disposal to the company is because there has been a sale from the partnership, i.e. the people, to the company. That is the only explanation that is consistent with the payment of over £50,000 of tax. That is only consistent with an intention to transfer the goodwill to his company and not on to the LLP."

4. "I am not suggesting for a moment that there is a document in the case where it says, "I Charlie Comber transfer or assign the business and goodwill to my service company". There is not. In this case there is a complete dearth of legal documentation."

27) In addition, I note the following from Mr Gamsa's skeleton:

"8. Partners may agree to divide up the goodwill in a partnership. If they do so, they will each be entitled to make use of the name, in a business similar to that of the partnership, so long as they do not do so deceptively and in particular, do not represent that the others are still their partners, **Kerly 20-244** citing **Burchell v Wilde** [1900] 1 Ch 551:

> *"But if you come to the conclusion (about which there can be no doubt) that the goodwill apart from the benefit of the firm name, as to which nothing is said, was not to be sold, but was to be divided between the partners, what is the result? It appears to me to follow that each partner could use the name of the old firm. They had become tenants in common of that asset, and each partner was entitled to enjoy that asset, subject only to a limitation, which I will mention presently. I cannot see any legal answer to this position, and this I think explains the decision of Lord Romilly M.R. in Banks v. Gibson 43 , and clearly distinguishes the present case from Gray v. Smith 44 and the other cases which have been cited. The limitation to which I have referred is this, and I think Byrne J. has fully recognised it. Apart from some express stipulation, a man has no right to hold out his late partner, or indeed any one else, as his partner in business, and, if it could be shewn that the defendants were holding out the plaintiffs as their partners, I should think (subject to what the defendants, whom we have not heard, might say) that the plaintiffs would be entitled to an injunction. But in my opinion the plaintiffs have not established anything of the kind.""*

And:

"19. Importantly, no capital gains tax is payable if a partnership transfers its assets to an LLP – see **Whittaker and Machell QC** *"The Law of Limited Liability Partnerships"* (Bloomsbury, 2016) at 23-115. Therefore, the payment of CGT by Mr Comber is only consistent with a transfer of the goodwill to his service company, i.e. to the Second Opponent:

> *"23.115 The transfer of a business from a partnership to an LLP will have no effect for CGT purposes, as the assets before transfer will be deemed to be owned by the partners individually and, following incorporation, the assets will still be deemed to be owned by*

the members individually, thus resulting in no disposal arising for CGT purposes. Obviously, if there were to be a change in ownership ratios at the time of incorporation, a chargeable gain could arise, subject to the application of the revised SPD12. However, as noted at 23.122-23.126, this is unlikely to be desirable in any event. As a result of there being no disposal by the partners on incorporation into an LLP, the transfer of the business and assets will have no effect upon the availability of any CGT reliefs which may have been available at the time of the disposal, such as, prior to 6 April 2008, indexation allowance and CGT taper relief. Likewise, since 6 April 2008, the transfer to an LLP should not have any impact upon the availability of entrepreneurs' relief."

28) For the applicant, Ms Jones made the following points at the hearing:

1. "Even though we accept that the transaction took place and to his service company, we say it was an assignment in gross and, therefore, ineffective and void. We also say that, in any event after that, there was a transfer into the new LLP following the HMRC inquiry, which I know my learned friend has not referred to at all, which found that the nature of these transactions, albeit from James's side, were assignments in gross and the goodwill had to live with the company that was trading, which is the LLP."

2. "I can take you to the letters if it would assist, but, just to summarise, HMRC said these transfers to these service companies are assignments in gross. The goodwill has to be with the trading business, and that is HJB LLP. So, it is only HJB LLP that owns the goodwill. In the 2015 accounts that my learned friend has taken you to, there was an adjustment which reflected that acquisition. On James's side, his accounts showed that the goodwill had gone -- so intangible assets are zero -- and he sought a rebate of the capital gains tax that he has paid.

   The only thing that has not happened is that Mr. Comber and his service company have not done the same thing. What they are asking you to accept, which in my submission is incredible, is that the goodwill can sit in two companies' accounts. They accepted the revaluation by HMRC. They reduced the value in Mr. Comber's service company's accounts, and they seemed to suggest that the HJB accounts are just a memorandum -- a note -- and that the goodwill is not in fact owned by that LLP. In fact, that is nonsense. Of course, the goodwill is owned by the business that trades. HJB LLP was set up to continue the partnership, and, as HMRC recognised, the goodwill has to be with that company.

My learned friend has put forward various arguments about how Mr. Comber can own a goodwill and then be sort of connected to the HJB LLP. That is not how it works. The goodwill sits with the partnership that trades, and that is HJB LLP."

29) In addition, I note the following from Ms Jones' skeleton:

"7 f. In 2014, HMRC conducted an enquiry in relation to the transfer of goodwill into HJL by JHJ. In particular, it related to the transfer of the goodwill from the original Partnership, to JHJ, and then to HJL and not to HJB LLP. A letter dated 15 January 2014 from HMRC to JHJ's accountants **[Mr Noorani ws, Exhibit AN1]** stated:

"Having now seen the accounts for….Hayman-Joyce Broadway LLP I note that no goodwill is shown in the Balance Sheet. The goodwill is shown in the accounts for [HJL] which is a holding company and does not trade.

If the company is not trading it cannot have any goodwill and there is no goodwill in the LLP's to value."

g. By letter dated 14 April 2014 **[Mr Noorani ws, Exhibit AN7]**, HMRC stated:

"In short the business of your client's sole trade and of his partnership with Mr Comber has been taken over by the two LLPs whereas the goodwill of those businesses has passed to HJL (or in the case of the Partnership with Mr Comber to HJL and CCSL).

However, case law provides authority for the proposition that goodwill is not capable of being separated from the business with which it is associated…"

h. As a result of the above, HMRC required JHJ to transfer the relevant goodwill currently owned by HJL into HJB LLP and HJM LLP respectively so that it was in the same ownership as the business to which it related. By letter dated 30 April 2015 **[Mr Noorani ws, Exhibit AN2]** HMRC stated that because there had been a transfer of goodwill between connected parties, a valuation exercise was necessary. The upshot of this exercise was that JHJ's 30% share of the original Partnership's goodwill was revalued at £132,741 **[Mr Noorani ws p.2/§11 and Exhibit AN3]**.

i. Given that CC had performed the exact same transaction as JHJ with his share of the goodwill in the original Partnership going to himself and CCSL and not HJB LLP, accountants also needed to transfer his 70% share into HJB LLP and revalue it in accordance with the aforementioned valuation from HMRC of JHJ's share. This resulted in a total valuation of goodwill to be transferred to HJB LLP of £442,470 (divided £132,741 as JHJ/HJL and £309,730 as CC/CCSL). This sum was then inputted into HBJ LLP's 2015 accounts **[Mr Bowen 1st ws, Exhibit RWPB2]**, showing the cost of intangible assets as £442,470 and with HJL's 2015 accounts updated accordingly to show no intangible assets **[Mr Noorani ws, Exhibit AN4]**.

j. Despite CC having signed off those 2015 HJB LLP accounts, the same exercise was not reflected in his own accounting. In fact, the 2015 accounts for CCSL **[Mr Bowen 1st ws, Exhibit RWPB 1]** showed a figure of £305,304 (69% of £442,470) for intangible assets and in Note 1 it stated:

"Goodwill, being the amount paid in connection with the acquisition of a business in 2010, is being carried at its fair market value as estimated by the directors and is not being amortised at present. The directors believe this shows a true and fair view of the position.""

And:

"9. The key factor in this case is that HJB LLP continued the business of the original Partnership. The ownership of the goodwill could not therefore be separated from that business and any attempt to do so, as recognised by HMRC, would constitute an assignment in gross[1]. The attempts of JHJ and CC to retain the goodwill themselves/by their service companies therefore constituted assignments in gross from the original Partnership.

10. JHJ remedied this on his side, transferring his goodwill into HJB LLP. The accounts of HJB LLP were also updated to reflect the acquisition of goodwill from all parties, valued at the total sum of £442,470. CC was well aware of this as he signed the accounts showing this acquisition. The only outstanding thing to be done was for CC/CCSL to reflect the same in CCSL's accounts. Instead, CC curiously not only did not do this such that the same goodwill is now reflected in two different companies' accounts, CCSL's and HJB LLP's. He also appears to have stopped

[1] See §3-195 of Professor Wadlow's: The Law of Passing Off 5th Edn

amortising the sum since 2015 with the result that the same value of an intangible asset remains year on year, with no depreciation and despite the fact that the company does not own that goodwill.

11. These facts, coupled with the hopeless explanations put forward by CC and his accountant e.g. that in relation to showing the reduced figure of £442, 470 in HJB LLP's accounts and a similar reduction to the value in CCSL's accounts - *"This was done for presentation purposes and to "keep the peace""* **[Mr Bowen 1stw/s p.2/§12]** provide incontrovertible evidence that CC nor CCSL do not own any goodwill which gives rise to a prior right in relation to the Mark."

30) The contention put forward at paragraph 8 of Mr Gamsa's skeleton (paragraph 27 above) is, in my view, not on all fours with the situation in the instant case. The partnership has not split, it is still trading as HJB LLP. Whilst I accept the tax treatment set out at paragraph 19 of his skeleton (also paragraph 27 above) the position of HMRC in relation to payment of Capital Gains Tax is not binding upon this Tribunal when deciding who owns the goodwill in a sign for the purposes of the Trade Marks Act. In the instant case there is disagreement as to whether the initial partnership which was subject of the agreement was dissolved in 2010 when HJB LLP was formed. To my mind, it does not matter whether the partnership was dissolved or not. The goodwill accrued between 1 May 1998 and 31 July 2010 under the partnership of Mr James Leslie Hayman-Joyce (JHJ) and Mr Comber belonged to the partnership. Either that partnership continued under the guise of HJB LLP and the goodwill of twenty plus years is owned by the partnership or the initial partnership was dissolved in 2010 and a new partnership (HJB LLP) owns the goodwill accrued subsequently. Taking into account all of the facts set out in the decision and the arguments put forward by both parties above I have come to the view that whichever version of history is correct the opposition should have been brought by either the original partnership or HJB LLP. In my opinion, Mr Comber and his company Comber Consultancy Services Ltd do not have standing in this matter. **The opposition under section 5(4)(a) is dismissed.**

31) In case I am wrong in this view or unless Mr Comber can represent the partnership under his own name, I will continue to consider the matter further. As set out in paragraph 6(d) above both the initial partnership and HJB LLP allowed first JHJ (until 2010), then HJM LLP (until August 2014) and finally HJPL (to date) to use the marks HAYMAN JOYCE / HAYMAN-JOYCE in respect of estate agent services generally in an area around the office in Moreton. In *W.S. Foster & Son Limited v Brooks*

Brothers UK Limited, [2013] EWPCC 18 (PCC), Iain Purvis Q.C. sitting as a Deputy Judge set out the following test for whether honest concurrent use provides a defence in a passing off action:

> "61. The authorities therefore seem to me to establish that a defence of honest concurrent use in a passing off action requires at least the following conditions to be satisfied:
>
> (i) the first use of the sign complained of in the United Kingdom by the Defendant or his predecessor in title must have been entirely legitimate (not itself an act of passing off);
>
> (ii) by the time of the acts alleged to amount to passing off, the Defendant or his predecessor in title must have made sufficient use of the sign complained of to establish a protectable goodwill of his own;
>
> (iii) the acts alleged to amount to passing off must not be materially different from the way in which the Defendant had previously carried on business when the sign was originally and legitimately used, the test for materiality being that the difference will significantly increase the likelihood of deception."

32) Whilst it is clear that the applicant has used the mark with the full knowledge and acceptance of the new partnership since August 2014, the applicant did not plead the statutory defence of Acquiescence under Section 48 of the Act. Even if the applicant had pleaded this defence, unless the goodwill was transferred from HJM LLP, then the new partnership would not have acquiesced for a continuous period of five years of use of a Registered trade mark. However, it seems to me that the applicant has an honest concurrent goodwill. I take into account the remarks of Oliver LJ in *Habib Bank Ltd v Habib Bank AG Zurich* [1982] RPC at 24:

> "Where you find that two traders have been concurrently using in the United Kingdom the same or similar names for their goods or businesses, you may well find a factual situation in which neither of them can be said to be guilty of any misrepresentation. Each represents nothing but the truth, that a particular name or mark is associated with his goods or business."

33) Although the applicant has shown that it has goodwill it is, in my opinion, a localised goodwill as the evidence appears to indicate that it carries out its activities within a ten mile radius (approximately) of

its office, as might be expected of most estate agents who tend to be highly localised. In *Chelsea Man Menswear Limited v Chelsea Girl Limited and Another* - [1987] RPC 189 (CA), Dillon L.J. stated that:

> ".........However, we have before us the case of plaintiffs with a strong reputation and goodwill in certain parts of the country, particularly Coventry and Oxford Street, which is faced with threats by the defendants to use the name "Chelsea Man" in all or any parts of the country in connection with the sale of men's clothing, in such a manner as is likely to mislead potential customers of the defendants and thereby to injure the plaintiffs' goodwill. Since the intended use by the defendants of the name "Chelsea Man" is nationwide, *prima facie*, it seems to me, the plaintiffs must be entitled to ask for a nationwide injunction. In my judgment, on the facts of the present case, the court would be justified in circumscribing the ambit of the injunction to narrower limits than England and Wales (which are the limits accepted by the plaintiffs) only if it were satisfied that the use by the defendants of the name "Chelsea Man" outside those limits in connection with their business *would not be likely substantially to injure the plaintiffs' goodwill.* I am far from satisfied that this is the case, for a number of reasons.
>
> If it be assumed, for the sake of argument, that the injunction were confined to the three proposed restricted areas, it also has to be assumed that there is a live possibility, perhaps amounting to a probability, that the defendants with their large resources and wide chain of existing shops, would soon be using the name "Chelsea Man" in trading in towns close to the borders of some or all of those areas.
>
> I do not propose to embark on a further examination of the evidence of which counsel on both sides have given us a careful and helpful analysis. In my judgment, it clearly shows that the use by the defendants of this name or mark even outside such areas would be likely to cause substantial confusion between the plaintiffs' and defendants' respective businesses, and thus to cause damage to the plaintiffs' business within those areas......"

34) Whilst in *Saxon Trade Mark* [2003] FSR 39 (HC), Laddie J. identified different considerations that apply where the senior and junior users have only local goodwills and one proposes to trade in the area in which the other has established goodwill (or, by analogy, makes an application to register a national mark which implies such an intention). In dealing with an appeal from a decision of a hearing officer on behalf of the registrar, the judge stated that:

> "32. Mr Foley appears to have construed the section as if it is only concerned with cases where the use of the mark by the proprietor starts after use of the same or a similar mark by someone else. I do not think that this is what the section says. For the prohibition to bite, all that needs to be shown is that, at the time of the application to register, the normal use of the mark by the proprietor would be liable to be prevented by passing off proceedings brought by someone else. It may well be that in most cases this will only arise when the other party had commenced using his mark before the proprietor, but it is not inevitably so and the section does not require it to be so. The fact that the convenient title "proprietor of an earlier mark" is used to designate the other party does not limit the scope of the section. Consider, for example, a case in which one proprietor uses a mark on a retail clothing business in Manchester and the other uses it on a similar business in Plymouth. They commence trade at the same time. Their trades do not compete because of the geographical separation. Assume the Manchester trader registers the mark. Normal use of it would include use in Plymouth. That would be liable to give rise to a cause of action in passing off (see *Levey (A.A.) v Henderson-Kenton (Holdings) [1974] R.P.C. 617* and *Evans v Eradicure [1972] R.P.C. 808*). For that reason the registration by the Manchester trader would fall foul of s.5(4)(a) even though the Plymouth trader commenced use of the mark at the same time. For the same reason the Plymouth trader could not register the mark."

35) It is clear that the applicant has goodwill in and around Moreton and the new partnership has a goodwill in and around Broadway. Both parties have used the identical mark for effectively identical services, indeed they have to all intents and purposes been separate offices of the same firm, sharing advertising and various costs and obviously working closely together. Taking all of the above into account, I would have to conclude that neither can register the mark, absent the explicit agreement of the other party. If the opponent had locus then the opposition would succeed.

36) I now turn to the ground of opposition under section 3(6) which reads:

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

37) The relevant case-law covering trade mark applications made in bad faith can be found in the following cases: *Chocoladefabriken Lindt & Sprüngli,* CJEU, Case C-529/07, *Malaysia Dairy Industries,* CJEU, Case C-320/12, *Koton,* CJEU, Case C-104/18P, *Sky* v *Skykick,* CJEU, Case C-

371/18, *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Limited* and others, [2009] RPC 9 (approved by the Court of Appeal in England and Wales: [2010] RPC 16), *Trump International Limited v DDTM Operations LLC*, [2019] EWHC 769 (Ch), *Copernicus-Trademarks v EUIPO,* General Court of the EU, Case T-82/14, *Daawat* Trade Mark, The Appointed Person, [2003] RPC 11, *Saxon Trade Mark,* [2003] EWHC 295 (Ch), *Mouldpro ApS v EUIPO*, General Court of the EU, Case T-796/17, *Alexander Trade Mark*, The Appointed Person, BL O/036/18, *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch) and *Sky v Skykick* [2020] EWHC, 990 (Ch).

38) The law appears to be as follows:

(a) While in everyday language the concept of ‘bad faith’ involves a dishonest state of mind or intention, the concept of bad faith in trade mark law must be understood in the context of trade: *Sky* CJEU.

(b) Applying to register a trade mark without an intention to use it is not bad faith *per se*. Therefore, it is not necessary for the trade mark applicant to be using, or have plans to use, the mark in relation to all the goods/services covered by the specification: *Sky CJEU.*

(c) The bad faith of the trade mark applicant cannot, therefore, be presumed on the basis of the mere finding that, at the time of filing his or her application, that applicant had no economic activity corresponding to the goods and services referred to in that application: *Sky CJEU.*

(d) However, where the trade mark application is filed without an intention to use it in relation to the specified goods and services, and there is no rationale for the application under trade mark law, it may constitute bad faith. Such bad faith may be established where there are objective, relevant and consistent indications showing that the applicant had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark: *Sky CJEU.*

(e) This may be the case where the exclusive right was sought as part of a strategy of using widely cast trade mark registrations as legal weapons for use against others in opposition proceedings and/or for the purposes of blocking applications by third parties: *Sky* EWHC and *Copernicus-Trademarks v EUIPO*.

(f) A trade mark may be applied for in good faith in relation to some of the goods/services covered by the application, and in bad faith as regards others: *Sky* CJEU.

(g) This may be the case where the applicant has included a specific term in the specification, such as ‘computer games’, with no intention of using the mark in relation to any such goods, simply to obstruct third parties from using or registering the same mark, or similar marks. It may also be the case where the applicant has included a broad term, such as ‘computer software’, with the intention of using the mark in relation to a particular sub-category of such goods/services, but no intention of using the mark in relation to all the other (sometimes very different) sub-categories of goods/services covered by the broad term, with the objective of obstructing third parties from using or registering the mark in relation to such goods/services: *Sky* EWHC.

(h) In deciding whether there was a rationale for registering the trade mark in relation to any particular term, it is necessary to bear in mind that trade mark proprietors have a legitimate interest in seeking protection in respect of goods or services in relation to which they <u>may</u> wish to use the trade mark in future (even if were no plans to use the mark in relation to the goods/services at issue at the time of filing the application): *Sky* EWHC. It is therefore relevant to consider whether the goods/services in the contested application are related to those for which the mark has been used, or for which the applicant had plans to use the mark.

39) The following points are apparent from the pre-*Sky* case-law about registering trade marks in bad faith:

(i) Although it may be a relevant factor, the mere fact that the applicant knew that another party was using the trade mark in another territory does not establish bad faith: *Malaysia Dairy Industries*.

(j) Similarly, the mere fact that the applicant knew that another party used the trade mark in the UK does not establish bad faith: *Lindt, Koton* (paragraph 55). The applicant may have reasonably believed that it was entitled to apply to register the mark, e.g. where there had been honest concurrent use of the marks: *Hotel Cipriani*.

(k) However, an application to register a mark is likely to have been filed in bad faith where the applicant knew that a third party used the mark in the UK, or had reason to believe that it may wish to do so in future, and intended to use the trade mark registration to extract payment/consideration from the third party, e.g. to lever a UK licence from an overseas trader: *Daawat,* or to gain an unfair advantage by exploiting the reputation of a well-known name: *Trump International Limited.*

(l) An application may also have been filed in bad faith where the applicant acted in breach of a general duty of trust as regards the interests of another party, including his or her own (ex) company or (ex) partners, or a party with whom there is, or had recently been, a contractual or pre-contractual relationship, such as a licensor, prospective licensor or overseas principal: *Saxon, Mouldpro;* or where a legal agreement prohibits such a filing.

40) The correct <u>approach</u> to the assessment of bad faith claims is as follows. According to *Alexander Trade Mark,* the key questions for determination in such a case are:

(a) What, in concrete terms, was the objective that the applicant has been accused of pursuing?
(b) Was that an objective for the purposes of which the contested application could not be properly filed? and
(c) Was it established that the contested application was filed in pursuit of that objective?

41) The applicant's intention (i.e. objective) is a subjective factor which must be determined objectively by the competent authority. An overall assessment is required, which must take account of all the factual circumstances relevant to the particular case: *Lindt*.

42) The matter must be judged at the relevant date, which is the date of the application for registration: *Lindt*.

43) It is necessary to ascertain what the applicant knew at the relevant date: *Red Bull*. Evidence about subsequent events may be relevant, if it casts light backwards on the position at the relevant date: *Hotel Cipriani.*

44) A statement on the application form that the mark is in use, or there is a *bona fide* intention to use it may, if untrue, provide evidence supporting a bad faith case, but is not sufficient by itself to justify the refusal or cancellation of the registration: *Sky* CJEU.

45) An allegation of bad faith is a serious allegation which must be distinctly proved, but in deciding whether it has been proved, the usual civil evidence standard applies (i.e. balance of probability). This means that it is not enough to establish facts which are as consistent with good faith as bad faith: *Red Bull*.

46) The opponents contend that the applicant was aware that the opponents “asserted joint ownership” of the mark in suit based upon the use made by the original partnership and HJB LLP, and that in a meeting shortly before the application was filed Mr Comber suggested that a joint application to register the mark be made. The applicant then filed the application in its name only but did not inform Mr Comber or HJB LLP.

47) It is clear from my earlier findings that the applicant has acquired goodwill in the mark with the full knowledge and co-operation of HJB LLP and indeed both opponents. It is accepted that the first use of the sign was by Mr James Hayman-Joyce initially as a sole trader and then in a partnership in respect of the Moreton office. This business was purchased by the applicant (including the goodwill although no documentation of this exists) who believes that because of this history it is the senior user of the sign, in addition to the sign being the family name. As such, in my opinion the application was not made in bad faith. The ground of opposition under section 3(6) fails.

CONCLUSION

48) The opposition under section 5(4)(a) and 3(6) both fail.

COSTS

49) As the applicant has been successful it is entitled to a contribution towards its costs.

Preparing a statement and considering the other side’s statement	£200
Considering the other sides evidence	£500
Attendance at the hearing	£500
TOTAL	£1200

50) I order Charles Robert Henry Comber & Comber Consultancy Limited to pay Hayman-Joyce Property Limited the sum of £1200. This sum to be paid within twenty- one days of the expiry of the appeal period or within twenty-one days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 15th day of July 2020

George W Salthouse
For the Registrar,
the Comptroller-General