

# Residual Goodwill Hunting: How long can earlier rights in unregistered trade marks survive?

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## Summary

In the UK, unregistered trade marks with sufficient goodwill are protected by the law of passing off. In appropriate cases, that protection will be sufficient to prevent registration of or invalidate a later UK or Community Trade Mark, where there is a likelihood of confusion and damage.

This article examines the circumstances in which the protection afforded to unregistered trade marks against later trade mark registrations can survive beyond actual use in the course of trade, and for how long, with particular reference to the recent case of *Minimax GmbH & Co KG v Chubb Fire Limited*<sup>1</sup>.

## Background

The law of passing off is derived from common law and provides protection for the goodwill of traders (similar to the protection afforded in Continental Europe by unfair competition laws). To rely on this tort, a Claimant has to establish 3 essential elements (the so-called "classical trinity"):

- (a) goodwill attached to the Claimant's goods or services in the mind of the purchasing public by association with an identifying distinctive "get-up";
- (b) a misrepresentation by the Defendant leading or likely to lead the public to believe that the goods or services offered by him are the goods or services of the Claimant; and as a consequence
- (c) actual or likely damage suffered by the Claimant.<sup>2</sup>

Section 5(4) of the Trade Marks Act 1994 ("the 1994 Act") provides that:

"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 in the course of trade; ...".

An unregistered trade mark can therefore be cited in opposition to a later UK trade mark application, or to invalidate a later UK trade mark registration, where normal and fair use of the later trade mark for the designated goods or services would constitute passing off.

Article 8(4) of Council Regulation 40/94/EEC (the Community Trade Mark Regulation) contains similar provisions enabling traders protected by the law of passing off to oppose and invalidate Community Trade Mark applications and registrations.

## Residual goodwill

Oppositions and invalidity proceedings based on s 5(4)(a) have a poor success rate because it is onerous for earlier rights holders to establish the existence, nature and extent of the necessary goodwill in the first place.

This task can be made even harder where the goodwill is associated with a business which has ceased to exist. This is because, as Lord Macnaghten said as long ago as 1901 in *Commissioners of Inland Revenue v Muller and Co's Margarine Ltd*<sup>3</sup>:

"Goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business and the goodwill perishes with it though elements remain which may perhaps be gathered up and revived again."

Where a business in which goodwill has resided no longer trades, an opponent or applicant for invalidity will therefore face an uphill struggle to establish that there is any so-called residual goodwill that survives the business on which they can rely.

However, subsequent authorities are clear that goodwill in a business is not necessarily extinguished immediately on cessation of trade and that residual goodwill can, in certain circumstances, survive the death of an associated business and be capable of protection. So, in *Star Industrial Company*

<sup>1</sup> [2008] EWHC 1960 (Pat)

<sup>2</sup> *Reckitt & Colman v Borden* [1990] 1 WLR 491

<sup>3</sup> [1901] AC 217

*Limited v Yap Kwee Tor*,<sup>4</sup> a decision of the Privy Council, Lord Diplock recognised that despite the temporary cessation of a Hong Kong toothbrush manufacturing business in 1965, it might retain "a residue of goodwill capable of being revived in 1968".

The following cases illustrate examples of circumstances in which that residual goodwill might or might not survive.

#### **Norman Kark Publications Ltd v Odhams Press Ltd<sup>5</sup>**

The Court had to determine whether the Claimant was entitled to rely on the law of passing off to restrain the Defendant from using the word "Today" in the title of its publication (first published in 1960). The Claimant had published a magazine known as *Today* from about 1945 until 1953, when it amalgamated with a separate journal *Courier*, and publication continued under that latter title (although a notice on the inside cover stated that the magazine incorporated *Today*).

The Claimant had argued that it was sufficient to show a mere intention not to abandon the name to be able to continue to rely on it, but Mr Justice Wilberforce held that the Claimant had to prove that the name "Today" continued to be distinctive of its goods and that it had in 1960 a "residual renown" as denoting a publication of the Claimant. However, on the facts, in particular the Claimant's lack of effort to preserve the reputation in "Today", the nature of the publication *Courier* and the limited manner in which "Today" was kept before the public, the judge held that at the beginning of 1960 a sufficient element of distinctiveness did not attach to the title "Today" to entitle the Claimant to restrain publication.

#### **Ad-Lib Club Limited v Granville<sup>6</sup>**

The Claimant ran a night club called the "Ad-Lib Club" from 1964 to 1966 when it was forced to move premises. From that date, the Claimant had been looking for new premises but without success. In 1970 the Defendant advertised the re-opening of the Ad-Lib Club and the Claimant applied for an interim injunction to restrain use of the name "Ad-Lib" relying on the law of passing off. Vice-Chancellor Pennycuik held:

"... where a trader ceases to carry on his business he may nonetheless retain for at any rate some period of time the goodwill attached to that business ... It must be a question of fact and degree at what point in time a trader who has either temporarily or permanently closed down his business should be treated as no longer having any goodwill in that business or in any name attached to it which he is entitled to have protected by law."

On the facts, where the Defendant chose the name "Ad-Lib" because of the reputation still attaching to that name, and where

the evidence showed members of the public were likely to regard the new club as a continuation of the Claimant's, the Court readily found the Claimant owned residual goodwill in its business and granted the injunction.

#### **Sutherland v V2 Music Ltd<sup>7</sup>**

A funk music band called "Liberty" was formed in the late 1980s ("Liberty 1"). The band was joint winner of a music competition organised and promoted by Capital Radio and Coca Cola in 1993, played various concerts (including two at Wembley Arena as support act), released three singles in 1992, 1993 and 1995 which sold a few thousand copies at most, but failed to gain a major recording contract. Liberty 1 never disbanded, but after 1995 its profile was low, although it maintained a small but loyal and enthusiastic fanbase.

In March 2001 unsuccessful finalists in the television show *Popstars* formed a band, also called "Liberty" ("Liberty 2"). Liberty 1 brought proceedings for passing-off. Mr Justice Laddie ruled in favour of the Claimant, holding that while the case was very close to borderline, the impact made by Liberty 1 on the public in the mid-1990s was unlikely to have disappeared: the enthusiasm for the band did not "sparkle as brightly as it did then, but it still glows". As for the reputation of the band in the music industry, the judge found that Liberty 1 had a continuing, if small commercial reputation.

#### **Jules Rimet Cup Limited v The Football Association Limited<sup>8</sup>**

This was a trial of various preliminary issues arising from an application made by Jules Rimet Cup Limited (JRCL) to register the mascot from the England football team's 1966 World Cup campaign, WORLD CUP WILLIE, as word and device trade marks. When the English FA, claiming rights in the marks, threatened to oppose the applications if they were not withdrawn and informed at least one of JRCL's licensee's of this fact, JRCL applied to the High Court for declarations that its marks could not be opposed and for relief from unlawful interference with its business. The FA counterclaimed for copyright infringement and passing-off, and refusal of the trade mark registrations on grounds of passing-off and bad faith.

One of the issues that the Court had to determine was whether goodwill that accrued from use of the World Cup Willie drawing in 1966/1970 had survived nearly 40 years to found an action in passing-off. Although the evidence before the Court was not extensive, it included documents that showed that the representatives of JRCL and its licensee Granada clearly believed there was a residual value in World Cup Willie from 1966 that would enable them to establish a strong brand very quickly.

<sup>4</sup> [1976] FSR 256

<sup>5</sup> [1962] 1 WLR 380

<sup>6</sup> [1971] FSR 1

<sup>7</sup> [2002] EMLR 28

<sup>8</sup> [2008] FSR 10

There was also an entry for World Cup Willie in the *Brand and Sports Licensing Source Book 2005*, a number of references to World Cup Willie in the press and approaches from other potential licensees seeking a licence. This evidence was enough to convince the judge that there was residual goodwill in the name and character World Cup Willie in 2005 and that this would have been enough for the FA to have succeeded at that time in a passing off action.

### **Frankie Goes To Hollywood<sup>9</sup>**

Holly Johnson left the band Frankie Goes to Hollywood in 1987 to pursue a solo career. The remaining members of the band ceased performing until November 2003 when they were brought together by the TV programme *Bands Reunited*. Holly Johnson declined to take part in the programme, but in April 2004 he applied to register the UK trade mark FRANKIE GOES TO HOLLYWOOD.

The other members of the band successfully opposed the registration on both grounds of passing off and bad-faith. As far as passing off was concerned, the Hearing Officer directed himself to the decision in *Sutherland v V2 Ltd* (discussed above). Unlike Liberty 1, Frankie Goes To Hollywood had achieved a considerable amount of success and acquired substantial goodwill as a result. Notwithstanding that 16 years had elapsed since the breakup of the band and its re-emergence on *Bands Reunited*, the Hearing Officer found that residual goodwill had survived, taking into account not only the band's reputation in 1987, but subsequent re-releases and greatest hits compilations that had kept the band in the public eye.

In parallel CTM opposition proceedings<sup>10</sup> the decision of the UK Trade Marks Registry in respect of the ground of passing off was wholeheartedly endorsed by OHIM given the high degree of similarity between the respective proceedings and oppositions, demonstrating that goodwill in an earlier unregistered trade mark can defeat both UK and Community trade mark applications.

### **Minimax GmbH & Co KG v Chubb Fire Limited<sup>11</sup>**

This was a very recent appeal to the High Court of a decision by the UK Trade Marks Registry to uphold an opposition to an application by Minimax GmbH & Co KG ("Minimax") to register the trade mark MINIMAX for fire extinguishing chemicals and equipment in Classes 1 and 9.

The Opponent, Chubb Fire Limited ("Chubb"), had been the owner of two earlier registered trade marks MINIMAX, until they were revoked in separate proceedings by Minimax for non-use in the periods 1998–2003 and 1999–2004 respectively.

Despite this, in the opposition proceedings the Hearing Officer had held that Chubb had sufficient residual goodwill in the revoked marks to prevent Minimax's application from proceeding to registration by virtue of the law of passing off.

The evidence filed by Chubb to substantiate the residual goodwill relied on in the Registry opposition proceedings consisted of a witness statement from the Commercial Manager of Chubb describing the history of the ownership of the MINIMAX trade mark since 1903 with some historical material exhibited in support.

The evidence was that in 1981 Chubb had launched a new range of Chubb fire extinguishers, and that at that time the MINIMAX mark was no longer used directly in relation to fire extinguishers and other fire fighting apparatus, although the servicing, refurbishment and refilling of existing MINIMAX extinguishers and hose reels continued. It was alleged that a new range of MINIMAX pressure model extinguishers was introduced in 1992 but there was no documentary evidence produced to support this assertion.

It was further alleged that at the time of the hearing Chubb continued to service MINIMAX hose reels and also received MINIMAX extinguishers for refilling and refurbishment. The Commercial Manager went on to say that genuine and good preparations were made for the launch of a new MINIMAX product in 1999/2000, but there was no evidence that such a launch had taken place.

The Hearing Officer found that at the relevant date Chubb had goodwill in MINIMAX in respect of fire extinguishers and the servicing of them, and he upheld the opposition. In doing so, he referred to the case of *Ansul BV v Ajax Brandbeveiliging BV*<sup>12</sup> in which the European Court of Justice held that actual use of a registered trade mark on parts that are integral to the goods protected by the trade mark can be considered to be genuine use of the mark relating the goods themselves and as such preserve the proprietor's rights in respect of such goods. By analogy, the Hearing Officer concluded, residual goodwill in a mark can be maintained by continuing to service goods previously sold under that mark (as Chubb argued it had done).

On appeal, Mr Justice Floyd did not criticise the Hearing Officer's reasoning above. The judge considered *Ad-Lib Club v Granville and Sutherland v V2 Music* (both considered earlier) and found that an earlier revocation decision against Chubb did not preclude a finding of residual goodwill, as Minimax had argued.

However, the judge also considered the case of *REEF Trade Mark*<sup>13</sup>, in which Mr Justice Pumfrey, as he then was, stated that:

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<sup>9</sup> O-140-07, 25 May 2007

<sup>10</sup> 27 July 2007, Case B849069

<sup>11</sup> *supra*, fn 1

<sup>12</sup> Case C40/01

<sup>13</sup> [2002] RPC 19

"It seems to me that in any case in which this ground of opposition [ie passing off] is raised the registrar is entitled to be presented with evidence which at least raises a prima facie case that the opponent's reputation extends to the goods comprised in the applicant's specification of the goods ... Thus the evidence will include evidence from the trade as to reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on."

Considering the evidence of Chubb afresh, the judge held that while it established some use up to 1999, after this there was really no evidence of use at all. In fact, the judge found that the name MINIMAX had only been in the public eye until the 1980s, and that the extent of any use after this was either unclear or trivial. There was therefore no proper basis for the hearing officer to conclude in 2003 that there was enough residual goodwill in the name for a passing off action to succeed and the appeal was allowed.

## Conclusion

The death of a business is not necessarily fatal to the goodwill that has attached to it, and residual goodwill can survive in circumstances where the original goodwill was substantial and/or it is kept alive in the public eye and in the relevant market sector. It is a question of fact and degree as to whether and for how long that residual goodwill will survive, and if so whether it extends to the goods or services in question. An applicant or opponent relying on residual goodwill will need to establish a strong prima facie case, with evidence from the trade and public where appropriate, to substantiate a passing off claim. Failing that, to paraphrase Mr Justice Laddie, a reputation that has ceased sparkling, but which is still glowing, might just as well have been extinguished.

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