

**TRADE MARKS ACT 1994**

**IN THE MATTER OF APPLICATION No 2132571  
BY TRADE CONCEPT LIMITED TO REGISTER  
A MARK IN CLASS 25**

**AND**

**IN THE MATTER OF OPPOSITION THERETO  
UNDER No 47716 BY TOTS AND TEENS LIMITED**

**TRADE MARKS ACT 1994**

5 **IN THE MATTER OF Application No 2132571  
by Trade Concept Limited to register a mark in  
Class 25**

**and**

10 **IN THE MATTER OF Opposition thereto under  
No 47716 by Tots and Teens Limited**

15 **DECISION**

On 13 May 1997 Trade Concept Ltd applied to register the following mark for a specification  
of goods reading "Women's underwear; lingerie"

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The application is numbered 2132571.

On 31 October 1997 Tots and Teens Ltd (trading as Continental Exports) filed notice of  
opposition to this application. In summary the grounds are:

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(i) under Section 3(3)(b) in that the mark applied for is likely to deceive the public  
"into believing that the applicants' mark was in some way associated with the  
opponents' earlier trade mark"

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(ii) under Section 5(2)(b) (and having regard to Section 6) in that the mark applied  
for is similar to the opponents' earlier trade mark (No 2135942 for the mark  
INTIMATE TOUCH and a goods specification reading "Articles of clothing;  
parts and fittings for the aforesaid goods")

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(iii) under Section 5(3) having regard to the reputation of the opponents' earlier  
trade mark

- (iv) under Section 5(4) having regard to the goodwill enjoyed by the opponents' mark

5 There is also a reference to discretion. But as the Registrar has no power to refuse registration to an application that otherwise meets the requirements of the Act I need say no more about that ground.

10 The applicants filed a counterstatement denying the above grounds and asking that all bar the Section 5(4)(a) ground be struck out for a variety of reasons. No action appears to have been taken in relation to the striking out request.

Both sides ask for an award of costs.

15 Both sides filed evidence and the matter came to be heard on 17 August 1999 when the applicants were represented by Mr R J Gordon of Barker Brettell, Trade Mark Attorneys and the opponents by Mr P Darlington of Trade Mark Consultants Co, Trade Mark Attorneys.

#### Opponents' evidence

20 The opponents filed a statutory declaration by Joginder Kumar Mehra, their Managing Director, a position he has held since 1987 when the company was incorporated. Mr Mehra says that his company is a manufacturer and merchant of various clothing products and the trade mark INTIMATE TOUCH has been in continuous use in respect of these goods since  
25 and Europe. Document A of Exhibit JKM1 includes sample shipping documents showing the mark and Document B includes sample invoices. Although most of the company's INTIMATE TOUCH branded goods are exported directly some goods are purchased in the United Kingdom by the offices of foreign companies.

30 Turnover in recent years is said to have been as follows:-

	1996/7	£1,106,012
	1995/6	£1,151,050
	1994/5	£1,157,204
35	1993/4	£1,065,212

Documents A and B of Exhibit JKM2 show examples of labelling used by the company and examples of stationery. The company exhibits at various international shows and exhibitions (listed) and Exhibit JKM3 includes extracts from catalogues for these events.

40 The INTIMATE TOUCH brand is also advertised in a number of UK directories including the Kompass Directory of UK Trade Names, the British Clothing Apparel Directory and the Intimate Design Directory. Extracts from these directories are at Exhibit JKM4. The company is also a member of a number of trade associations such as the British Knitting &  
45 Clothing Export Council, National Childrenswear Association. All goods are manufactured and labelled in the United Kingdom. Sample purchase orders are at Exhibit JKM5.

As a result Mr Mehra believes that the company has established goodwill in this country. He says that even if the applicants' activities are confined to sale of goods in the United Kingdom the distinctive character of the opponents' mark will be damaged.

5 Applicants' evidence

The applicants filed a statutory declaration by Balwinder Singh Brainch, a Director of Trade Concepts Ltd. He says that the business of his company is brand development and the goods in respect of which his company trades are "women's underwear; lingerie".

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He describes the background to the current application including a search which revealed an earlier registration for the mark TOUCH in the name of the opponents (for clothing for women and children). Mr Brainch appears to draw the conclusion from the opponents' company name that their principal area of business is babywear and that such goods would be sold through different trade channels to lingerie. He goes on to:

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S describe a visit made to his company's premises by Mr Mehra (the opponents' declarant) with the object of purchasing lingerie

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S suggest that the opponents' goods are for export and not known in the retail trade in the United Kingdom notwithstanding that some of the goods may be manufactured in this country

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S comment on use of the R in a circle device by the opponents (suggesting that the INTIMATE TOUCH mark is registered). Without reaching a conclusion on the opponents' position in this respect it seems to me that this is of tangential relevance only to these proceedings

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S criticise the exhibits as failing to support a claim to goodwill in the UK either because they relate to sales overseas; are not evidence of use of the mark; or represent sample purchase orders to four companies only

Opponents' evidence in reply

35 Mr Mehra filed a further statutory declaration by way of evidence in reply. In summary:

S he disagrees with Mr Brainch's comments in relation to their respective goods

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S gives his version of the visit paid to Mr Brainch's premises. (Apart from demonstrating that the applicants had become aware of the opponents' use of the mark and that it is said that the former's searches may have been deficient this point is of marginal relevance)

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S says that in the absence of a trade mark registration he has made every effort through various trade directories to make the company's mark known to other

S traders in the UK. He reiterates that although goods are not sold through retail outlets in this country all goods are manufactured and labelled here and some are purchased in this country

5 S he exhibits (JKM6) a further bundle of purchase orders to supplement JKM5 as examples of goods being purchased from other manufacturers

10 S he says that the turnover figures previously given should be considered as they relate to goods manufactured in and exported from the United Kingdom and are, therefore, relevant to use of the mark in this country.

That completes my review of the evidence.

15 At the commencement of the hearing Mr Darlington indicated that the Section 5(2)(b) and 5(3) grounds were being withdrawn. I need say nothing further in relation to those grounds. The Section 3(3)(b) objection was not argued at the hearing and I indicated that I could see no basis for finding that the public is likely to be deceived by some inherent characteristic of the mark. I, therefore, dismiss this ground as well. The matter thus falls to be determined in relation to Section 5(4)(a) which reads:

20 “(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 -

25 (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

30 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.”

The necessary elements of an action for passing off in terms of goodwill, misrepresentation and damage, were set out by Geoffrey Hobbs QC in WILD CHILD trade mark 1998 RPC 455 to which I was referred at the hearing. I do not propose to repeat the very full guidance provided but it can be found in that decision commencing at page 460 line 5 to page 461 line 35 22.

In brief the necessary elements are said to be as follows:

40 S that the plaintiff’s goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature;

S that there is a misrepresentation by the defendant (whether or not intentional) Leading or likely to lead the public to believe that goods or services offered by the defendant are goods or services of the plaintiff; and

45 S that the plaintiff has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant’s misrepresentation.

Although the applicants' mark contains a device element (which I take to be a somewhat stylised representation of lingerie) the words INTIMATE TOUCH are clearly an important element and the one by which the mark is likely to be known. The opponents' sign is also the words INTIMATE TOUCH. It is sometimes used in a script form but nothing in my view turns on the almost negligible stylisation of the presentation. The goods too are in direct conflict. I have not lost sight of Mr Brainch's comments in his evidence and Mr Gordon's submissions at the hearing suggesting that the respective goods could be differentiated. I do not accept that this is the case. The evidence suggests that the opponents' sign is used in relation to lingerie which is precisely the area of interest to the applicants. Given these underlying circumstances I take the view that there would at least be an arguable case that misrepresentation and damage would occur if the opponents are able to establish the first leg of the passing off test, that is to say, goodwill.

The opponents base their claim to goodwill on three factors viz.

- S their established trade in export markets
- S purchases in the UK by the offices of foreign companies
- S their reputation in this country amongst manufacturers of lingerie (specifically their supplier companies)

I propose to consider each of these claims in turn.

So far as the first of the above claims is concerned it is not, I think, disputed by the applicants that the opponents are active in export markets. The thrust of Mr Mehra's evidence including the exhibits confirm that a not insubstantial trade has taken place particularly in the Far East, Middle East, Asia, Scandinavia and Europe. The opponents trade as Continental Exports and even their entry in what I take to be a UK directory (the BKCEC British Clothing Institute Apparel Directory - see Exhibit JKM4) serves to confirm that these overseas markets represent the principal area of trade. In relation to such business I indicated at the hearing that I proposed to take as my starting point the following passage from *The Law of Passing-Off* by Christopher Wadlow (Sweet & Maxwell, 1995).

2.31 The nature of goodwill as legal property with no physical existence means that where a business is carried on in more than one country or jurisdiction there must be a separate goodwill in each.<sup>1</sup> For this purpose "country" means the territory whose legal system protects the goodwill in question. As goodwill is protected by the common law it follows that separate goodwills exist in England and Scotland, and in the various Australian states and Canadian provinces.

"However you attempt the difficult task of defining goodwill for the purpose of English law ... the proprietary rights which it involves and confers are rights,

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<sup>1</sup>*Star Industrial Co Ltd v. Yap Kwee Kor* [1976] F.S.R. 256 (P.C.)

no more and no less, to come to the English courts to prevent the goodwill being damaged or infringed by others. Goodwill in England is only of value and of practical existence insofar as these rights of invocation of the courts' powers can be asserted; and the nature and value of goodwill in other countries will, I assume, in like manner exist or not exist, and be of value or not be of value, to the extent to which, according to the laws of those countries, like rights can be asserted and enforced there."<sup>2</sup>

If a business is carried on in several such territories, then a separate goodwill attaches to it in each notwithstanding that the business may not be carried on by different legal entities. Similarly, a business carried on in one territory but exporting to others will have a separate goodwill in each. In the extreme, but illustrative, case of a business which exports all its products to a single foreign market the goodwill of the business is best regarded as being wholly situate in that foreign territory, where all its customers are to be found. "Supposing that the products of the manufactory [in Germany] were all exported to England and sold to English customers, I should find it difficult to hold that the goodwill was out of England merely because the manufactory was."<sup>3</sup>

Mr Darlington referred me to Sections 10(4) and 46(2) in support of his clients' position. The former deals with infringement of registered trade marks and the position of someone who uses a sign in relation to imported or exported goods and the latter with use on goods for export as a defence to a non-use revocation action. I do not regard either of these Sections as offering any support to the opponents. Both Sections are dealing with actions pertaining to registered trade marks and are not relevant to the considerations before me in relation to Section 5(4)(a). No authorities have been brought to my attention which might cast doubt on the position as set out in the Wadlow extract and there is no, or insufficient, evidence before me to suggest that the opponents' export business is serviced by intermediaries in the UK (save as considered below) who might themselves constitute customers. I, therefore, conclude that the opponents' export business does not create or attract goodwill in this country.

The second claim relied on by the opponents is that they have goodwill arising from the fact that their goods are purchased in this country by the offices of foreign companies. Mr Gordon challenged this claim on the basis that these were not retail sales. The nature of this claimed UK customer base is not clear to me from the evidence but may be intended to reflect the opponents' dealings with the UK buying offices of, say, foreign stores groups. I do not accept Mr Gordon's proposition that customers necessarily need to be retail customers. Goodwill has been classically described as "the attractive force which brings in custom". In the same paragraph Lord Macnaghten indicated that "goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source for which it emanates." It is the

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<sup>2</sup>per Lord Evershed M.R. in *Adrema Maschinebau GmbH v. Custodian of Enemy Property* [1957] RPC 49. (C.A.)

<sup>3</sup>per Lord Robertson in *Inland Revenue Commissioners v. Muller & Co's Margarine Ltd* [1901] A.C. 217 (H.L.)

existence of a customer base which is important and I am not aware of any authority which has the effect of imposing a restricted interpretation on the nature of the customer concerned. Thus as I understand it, a component supplier, for instance, would not be denied a claim to goodwill solely because he sells to original equipment manufacturers rather than retailers or retail customers. The problem I have is not, therefore, with the opponents' claim in principle but with the substantiation of that claim. As indicated in the evidence summary the opponents have had a turnover of something in excess of £1 million per annum between 1993/4 and 1996/7. No breakdown is given between export sales and domestic sales. It is reasonable to infer from Mr Mehra's evidence and exhibits that the turnover relates substantially to the company's export trade. In any event I have no means of knowing what level of sales have been achieved in this country or whether those sales are in effect *de minimis* in nature or have occurred in a desultory fashion. Such substantiating detail as exists in the evidence relates to export markets, and invoices to overseas customers, overseas trade fair participation etc. The opponent's case, therefore, rests on the unsubstantiated claim of purchases in the UK by the offices of foreign companies and entries in a number of UK trade directories. In the WILD CHILD case Geoffrey Hobbs QC said "..... I appreciate that the registrar is often required to act upon evidence that might be regarded as less than perfect when judged by the standards applied in High Court proceedings. However, I am not willing to regard assertions without any real substantiation as sufficient to sustain an objection to registration under section 5(4)." I regard these comments as being equally applicable to this aspect of the opponent's case before me. Their bare claim does not get them very far. The directory entries on their own do not establish that a customer base exists in this country. I, therefore, find that the claim to goodwill based on sales to the offices of foreign companies in the UK is unsubstantiated.

The third element of the opponents' case is that they have goodwill amongst manufacturers of lingerie in the UK particularly those companies which supply them with goods. A plaintiff or opponent in a passing-off action will normally base his case on sales of his own goods or services to demonstrate that goodwill has been acquired as a result of sales of, or trade in, his goods or services under a distinguishing sign. The proposition that a party can have goodwill arising from activity as a purchaser of goods or services seems to me to raise difficult issues which are either untested or have not been fully tested in the English Courts. It might perhaps be said that a trader who purchases goods from others may have a reputation (good or bad) with those suppliers for, say, speed of payment, regularity of orders etc. To that extent the purchaser may have acquired a 'good name' as it were. Whether it goes beyond this and can be said to create a protectable goodwill in the sense that that term is used in passing-off actions is not clear to me. At the hearing I was not referred to any authorities for or against the proposition. I note, however, that there is some support for it in the following brief passage in *The Law of Passing-Off* (referred to above).

**“2.40** The action for passing-off is also capable of protecting the goodwill the plaintiff has *vis-à-vis* his suppliers in his capacity as purchaser. In the present context this means that a foreign business may have goodwill in the jurisdiction although the only business it transacts consists of purchasing goods or services, or it may strengthen a case based on the existence of customers in the normal sense by relying also on the business it conducts with its suppliers. The two



Hong Kong cases of *Penney v. Penney's*<sup>1</sup> and *Penney v. Punjabi Nick*<sup>2</sup> were both decided in the plaintiffs' favour solely on the basis of purchasing activities in Hong Kong . In England, purchasing was important in the corresponding English *Penney's case*<sup>3</sup> and in *Home Box Office v Channel 5 Home Box Office*<sup>4</sup>. However, the existence of goodwill is not sufficient in the abstract. If there is to be liability for passing-off on this basis then there must be a misrepresentation by the defendant which is damaging to the plaintiff's goodwill as a purchaser, and this is inevitably harder to make out than when one is dealing with misrepresentations made to customers or the public at large.

Both the Hong Kong cases referred to involved the American JC Penney stores group which had a locally based subsidiary and made substantial purchases there for sale elsewhere but had no retail business of its own in the former Colony. Both cases involved interlocutory injunctions. In the relatively short decision reported in 1979 FSR 26 Leonard J says

"The business which [the plaintiff] does carry on through its subsidiary must necessarily enjoy a local reputation which the plaintiff is entitled to protect. The use by the defendant of its name is likely to damage that reputation by causing confusion in the minds of the public as to whether the parent company has commenced retail business here. Counsel for the plaintiff does not rely before me on the confusion that must arise in the minds of American visitors to the Hong Kong Hyatt Hotel and I think he is right in the present state of the law's development. The confusion caused in their minds is damage to the goodwill which the plaintiff has built up in the U.S. rather than here. However, in these days of expanding travel and tourism I would anticipate a development of the law of passing off whereby the onus of reputation and goodwill acquired abroad may be granted protection for that reputation and goodwill here even though they do not carry on business here and even though its good themselves have earned no reputation here. No decision on this point is essential to this case. I therefore arrive at none. Clearly the plaintiff through its subsidiary does carry on business here and is entitled to protection against the use of its name by the defendant in a manner which I can only condemn as dishonest."

In the second case reported at page 29 of the same FSR it appear that Huggins J had some reservations about this approach. The head notes record that

"Held, granting interlocutory relief: (1) In the light of the judgment of Leonard J. in *J.C. Penney Co . v Punjabi Nick* [1979] F.S.R. 26, it could not be said that there was no serious question to be tried in the present action whatever doubt existed as to the propriety of such an extension to the tort of passing-off."

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<sup>1</sup>[1979] F.S.R. 29 (Huggins J., Hong Kong).

<sup>2</sup>[1979] F.S.R. 26 (Leonard J., Hong Kong).

<sup>3</sup>*J.C. Penney Co, Inc v. Penney's Ltd* [1975] F.S.R. 367 (C.A.)

<sup>4</sup>[1982] F.S.R. 449 (Peter Gibson J.)

The Wadlow extract referred to above also draws on two cases in the English Courts - the first also involving Penneys and the second Home Box Office v Channel 5 Home Box Office. What is clear from these cases is that the plaintiffs had a customer base and sales in this country. Whatever supporting activity they were able to point to in terms of purchasing was not, therefore, critical to the outcome of the cases. Peter Gibson J does, however, say in the Home Box Office case

“In the present case on the facts before me I am not prepared to say that the plaintiff has no properly arguable case on goodwill. If evidence of the plaintiff having customers in this country is alone relevant, then the plaintiff has established that it has such customers in the form of the companies to which it has sold its programmes. I do not think it right to treat those sales as *de minimis*. The purchase price for four of the eight programmes sold was in excess of 150,000 dollars. For my part, I think it unduly restrictive to limit goodwill in every case to that which brings in custom for the plaintiff’s products or services. Lord Macnaghten himself in the *Muller* case (at p.223) also used wider language in relation to goodwill. He said. “It is the benefit and advantage of the good name, reputation, and connection of business”, and that broader formulation would cover, for example, the trader who has a good reputation with his suppliers or bankers which is of vital importance to him in his business.”

In the circumstances of the case it seems to me that it would be wrong to ascribe too much weight to the above remarks. Rather they seem to me to be a personal reflection on where the boundaries of passing-off may be set rather than a fully reasoned case for extending or varying established principles.

In the absence of other more conclusive authorities on the subject and on the basis of the above brief consideration of the cases referred to in the Wadlow text I am not prepared to say that there is a sufficient basis for deciding that the requisite goodwill for an action under Section 5(4)(a) (passing-off) can be founded on trade with suppliers alone.

In the event that this decision is appealed on the above point there is one further point I should make for the sake of completeness. The opponents’ case for what one might call ‘purchaser goodwill’ is based on their dealings with a number of supplier companies. A quantity of purchase orders are exhibited at JKM5 subsequently supplemented by JKM6. The orders in the main carry dates in 1992 and 1993. The format is much the same in each case with a top sheet setting out the terms of the order (despatch dates, payment terms, packing instructions, delivery dates and addresses etc) followed by sheets detailing the orders themselves (garment type, size, colour, quantity, price etc). The front sheet has as a banner heading ‘Continental Exports’ and underneath in smaller type Tots and Teens Ltd. The order sheets themselves are in a uniform type with Continental Exports and Tots and Teens Ltd in the top right hand corner and the suppliers name and address in the top left hand corner. The opponents’ trade marks ‘Baby Bright’ and ‘Intimate Touch’ appear either at the foot of the front page or on the order sheets linked to the goods to be supplied. Arising from this even if any goodwill could be said to arise from the placing of these purchase orders it seems to me that it would most likely relate to Continental Exports (the trading style of the company placing the orders) and/or Tots and Teens Ltd. In other words commonsense dictates that any such goodwill accrues to and in respect of the business of the entity placing the order (and the distinguishing

name by which it is known) and not the brand names applied to the goods when they are manufactured and subsequently sold. In summary, therefore, I have come to the view that the law is insufficiently clear for me to accept the proposition that the opponents can claim goodwill as purchasers or, if I am found to be wrong on that point, that the evidence supports such a claim so far as the mark INTIMATE TOUCH (as opposed to Continental Exports) is concerned. Moreover, there is no evidence before me from the suppliers themselves to indicate how they see matters (and in particular by what distinguishing feature the opponents' trading activities are known to them). The opposition based on Section 5(4)(a) also fails.

In reaching the above decision I have not needed to consider the claims and counterclaims in relation to the opponents' use of the ® symbol. Taking account of the evidence before me, the guidance given in paragraph 1.12 of Chapter 6 of the Registry's Work Manual and the PALL v DAHLHAUSEN decision I can only say that the position is inconclusive. It is for the opponents' to review their position and practice if, on reflection, they consider it necessary.

As the opposition has failed the applicants are entitled to a contribution towards their costs. I order the opponents to pay the applicants the sum of £635.

**Dated this 1 day of September 1999**

**M REYNOLDS  
For the Registrar  
the Comptroller General**