

**TRADE MARKS ACT 1994**

**IN THE MATTER OF REGISTRATION No. 1326497  
STANDING IN THE NAME OF SKAGA AKTIEBOLAG**

**AND**

**IN THE MATTER OF CONSOLIDATED APPLICATIONS  
BY SKAGA UK LIMITED FOR:**

**REVOCATION (NON-USE) UNDER No. 80028**

**REVOCATION (OTHER THAN NON-USE) UNDER No. 12595**

**DECLARATION OF INVALIDITY UNDER No. 80759**

**RECTIFICATION OF THE REGISTER UNDER No. 12597**

## **TRADE MARKS ACT 1994**

**IN THE MATTER OF Registration No. 1326497 standing  
in the name of Skaga Aktiebolag**

**and**

**IN THE MATTER OF Consolidated Applications  
by Skaga UK Limited for:**

**Revocation (non-use) under No. 80028**

**Revocation (other than non-use) under No. 12595**

**Declaration of Invalidity under No. 80759**

**Rectification of the Register under No. 12597**

## **BACKGROUND**

1. The mark SKAGA stands registered in the name of Skaga Aktiebolag in respect of “spectacle frames, spectacle glasses, spectacles, sunglasses and fitted cases for spectacles; all included in Class 9”. It has a filing date of 11 November 1987.

2. Skaga Aktiebolag is a Swedish company. Their trade in the goods of the registration is said to date back to 1968. In the UK it was for a number of years conducted through a subsidiary company, Skaga Limited. The day to day running of the UK subsidiary was largely in the hands of Mr Paul Armstrong from about 1990/91 (the precise date is not clear but is not critical to the case). In 1995 Mr Armstrong purchased the UK business from Skaga AB. His vehicle for this was a company formed for the purpose and later called Skaga UK Limited. Fuller details of these events will be set out in the evidence summary that follows. Issues arise as to the ownership and use of the SKAGA mark. In particular it has given rise to the four actions particulars of which are set out below. Three of the actions were filed on the same date 5 July 2001. The fourth, the invalidity action, was filed on 15 March 2002 at the request of the applicants and following a case management conference held on 6 March 2002. I should add by way of explanation for the benefit of any appeal tribunal that has to navigate around the papers that what is now (properly) a non-use revocation action appears to have been submitted in error as an invalidation. The Registry’s Law Section identified at an early stage that the statement of case referred to non-use and was at odds with the covering invalidity form. Nothing now turns on this error which was immediately corrected though, as I have said, a separate invalidation action has since been filed. Sensibly, as the cases all turn on the same underlying facts, the four actions have been consolidated.

### **The grounds and supporting particulars**

3. Amended versions of three of the applicants statement of grounds along with a statement in support of the invalidity action were filed pursuant to issues addressed at the case management conference held on 6 March 2002. The statements contain full and detailed particulars in support

of the respective grounds and it will be convenient to set out the texts in full save where indicated to the contrary below.

**Section 46(1)(b) – non use revocation**

“The Applicant submits that use of the SKAGA trade mark (the subject of UK Registration No. 1326497) by the proprietor has been suspended for an uninterrupted period of 5 years, and there are no proper reasons for non-use. The Applicant submits that the registrations should be revoked on the basis of Section 46(1)(b) of the Trade Marks Act 1994.

PARTICULARS

- (a) The 5 year period in question is the 5 years prior to the making of the present application, namely from 5 July 1996 to 4 July 2001 inclusive.
- (b) There was no use of the SKAGA trade mark by the proprietor (that is to say, the present registered proprietor) during the said period.
- (c) It is admitted and averred that there was use of the SKAGA trade mark by the Applicant during the said period. The Applicant will contend that its use was not use with the proprietor’s consent because the proprietor neither controlled the Applicant’s use of the mark nor had the power to control the Applicant’s use of the mark.”

**Section 46(1)(d) – revocation on grounds other than non-use**

There are two legs to the applicants’ case:

“In the alternative, the Applicant submits that any use which can be proven by the proprietor of this mark within the said period of 5 years has been made specifically pursuant to an agreement with the Applicant whereby rights to the name in the UK were transferred as particularised under paragraph 5 hereof. As a result of this agreement, and consequent use of the SKAGA [mark] by the Applicant in the UK, Trade Mark Registration No. 1326497 is liable to mislead the public, as members of the public would assume that any products bearing the mark SKAGA in the UK originated from the Applicant, and as such the Applicant submits that the registration should be revoked on the basis of Section 46(1)(d) of the Trade Marks Act 1994.

PARTICULARS

Since the agreement in question, the Applicant has used the mark SKAGA in relation to spectacle frames obtained by it from a variety of sources. The Applicant has used the mark in two ways; firstly, as a distributor’s mark in respect of its marketing of spectacle frames branded ENGLEHARDT, DAVID ASHER, FRAME HOLLAND and CHAUCER; and secondly as a maker’s mark in respect of its marketing of spectacle

frames branded SKAGA. In the first case the relevant public perceive the mark SKAGA to indicate the immediate but not the ultimate source of the goods. In the second case the relevant public perceive the mark SKAGA to indicate the ultimate source of the good. In both cases the relevant public identifies the mark with the Applicant and its goods and not the proprietor and its goods. In the alternative, even if (which is denied) some members of the relevant public identify the mark with the proprietor and its goods other members of the relevant public identify the mark with the Applicant and its goods.”

The second ground under this head is:

“Further or alternatively, any use by or with consent of the proprietor of the mark has been in connection with goods originating or represented as originating from Sweden whereas the Applicant uses the mark in relation to goods originating from a variety of countries. Accordingly, Trade Mark Registration No. 1326497 is liable to mislead the public as to the geographical origin of the goods, and as such the Applicant submits that the registration should be revoked on the basis of Section 46(1)(d) of the Trade Marks Act, 1994.

#### PARTICULARS

- (a) It is admitted and averred that prior to 29 December 1995 the mark was used by the proprietor or with its consent namely by its wholly-owned subsidiary Skaga Limited. Such use was wholly or mainly in respect of spectacle frames originating from Sweden. Furthermore, the proprietor and its subsidiary consistently advertised and promoted the goods as originating from Sweden, for example by use of logos comprising the words SKAGA OF SWEDEN and SKAGA MADE IN SWEDEN and making statements such as “Skaga AB is the largest manufacturer in Northern Europe of high quality spectacle frames of modern Swedish design” in catalogues.
- (b) If (which is denied) there has been any use of the mark by the proprietor or with its consent since 29 December 1995, such use has continued to be wholly or mainly in respect of spectacle frames originating from Sweden and/or advertised and promoted as originating from Sweden.
- (c) Since 29 December 1995 the Applicant has been entitled to use, and has used, the mark as a maker’s mark for spectacle frames originating from China, Hong Kong, Japan and Korea.”

#### **Section 47 – invalidity**

“..... The Applicant submits that the registration should be declared invalid on the grounds that there is an earlier right in relation to which the condition set out in Section 5(4) of the UK Trade Marks Act is satisfied, and the proprietor of the right has not consented to the registration. As such the Applicant submits that the registration should be declared invalid under Section 47(2)(b) of the UK Trade Marks Act 1994.”

## PARTICULARS

“The Applicant submits that, by virtue of an agreement between Skaga UK Limited and Skaga Aktiebolag, all goodwill in Skaga Aktiebolag’s business in the UK, including goodwill attached to the SKAGA trade mark, was transferred to Skaga UK Limited. As a result of the evidence filed by Skaga Aktiebolag, in the form of the Witness Statement of Jonas Netterström, in relation to related proceedings, it transpires that Skaga Aktiebolag has been selling spectacle frames under the SKAGA trade mark since at least October 1968. This use predates the date of the subject registration by some 20 years. As a result of this use goodwill was generated in the trade mark SKAGA, predating the date of registration in the UK Trade Mark Registration No. 1326497, which has been transferred by agreement to Skaga UK Limited. As such, the Applicant submits that use by Skaga AB of the trade mark SKAGA in the UK would constitute a misrepresentation, liable to cause damage to the goodwill and reputation owned by Skaga UK Limited, and therefore would constitute passing off.”

### **Section 64 – rectification of the register**

“In the further alternative, the Applicant submits that, pursuant to an agreement the rights to the name SKAGA in the UK were transferred to the Applicant, and that as the equitable interest in this name is owned by the Applicant it is submitted that UK Trade Mark Registration No. 1326497 exists in the name of Skaga Aktiebolag in error, and that the registration should be rectified under Section 64(1) of the Trade Marks Act 1994 so as to substitute the name of the Applicant as the registered proprietor for that registration.”

## PARTICULARS

“The agreement in question is an agreement in writing between inter alia the Applicant (then called Litbuy Limited), Skaga Limited (a wholly-owned subsidiary of the proprietor) and the proprietor dated 29 December 1995 (“the Sale Agreement”). By the Sale Agreement Skaga Limited (“the Vendor”) agreed to sell to the Applicant the business of selling optical frames carried on by the Vendor “under the name Skaga or Skaga Limited” (“the Business”) and various assets (“the Assets”) including “right to use the name Skaga”.”

4. The particulars go on to deal with the express terms of the sale agreement. As the sale agreement is central to these actions and will be considered in what follows I do not propose to record any further details at this point.

5. Helpfully the applicants’ statement of grounds indicates that their primary case is under Section 64(1), their secondary case is under Section 46(1)(d) and their tertiary case is under Section 46(1)(b). (The invalidity action has a separate statement of grounds.)

6. The registered proprietors have filed counterstatements denying the above grounds and claiming use of the mark by Skaga Ltd as being their own or at least with their consent. In relation to the sale and distribution agreements between themselves (or Skaga Ltd) and Mr Armstrong (or his company) they say:

“On 29 December 1995 the Applicant and Respondent entered into two agreements, namely a Distribution Agreement and a Sale Agreement. Skaga Limited and P.B. Armstrong were also parties to the Sale Agreement. Under the terms of those agreements the Applicant was granted the right to distribute the Respondent’s goods in the United Kingdom, such goods to be bearing the Trade Mark. In support of the distribution rights granted to the Applicant certain assets were sold to the Applicant. Such assets did not include the Trade Mark. But the Applicant was granted a licence under the Trade Mark to use SKAGA in the United Kingdom on the Respondent’s goods distributed in this country by the Applicant. Accordingly, the subsequent use of SKAGA by the Applicant pursuant to the Agreements has not misled and has not been liable to mislead the public.”

7. Both sides ask for an award of costs in their favour.

8. Both sides filed evidence. The matter came to be heard on 9 April 2003 when the applicants were represented by Mr R Arnold of Her Majesty’s Counsel instructed by Boulton Wade & Tennant. The registered proprietors were not represented. Shortly before the hearing they filed a Form TM22 to surrender the registration. I deal with the consequences of this in my decision below.

### **Evidence**

9. The principal evidence in these proceedings comes from Paul Barnes Armstrong. Mr Armstrong describes himself as being a consultant to Skaga UK Ltd and prior to that he was Managing Director of that company which was itself formed to take over the business of Skaga AB in the UK (previously run by Skaga Ltd). Mr Jonas Netterström who has given evidence on behalf of Skaga AB has confirmed that he also relies on Mr Armstrong’s evidence. I understand from this that there is no significant disagreement between the parties as regards the underlying facts of his case. Where they do differ is in their interpretation of the construction to be placed on an Agreement that the parties entered into and the legal consequences that flow from the facts of the case.

10. After describing his own background in the optical industry Mr Armstrong confirms that he joined Skaga Ltd in 1991. He was employed as Sales Director by Mr Gert-Rune Georgson the then Managing Director of both Skaga Ltd and its parent Skaga AB.

11. At that time Skaga Ltd is said to have had two main customers in the UK, namely Dolland & Aitchison and Keeler Ltd. Dolland & Aitchison were being supplied with two types of frames – plastic frames made by Skaga AB and labelled SKAGA and metal frames manufactured in the Far East carrying other brand names including Dolland & Aitchison’s owl logo. At the time there were also some stocks of metal frames from the Far East imprinted with SKAGA (Exhibit PBA1).

12. Mr Armstrong describes his role in Skaga Ltd at the time he joined in the following terms:

“When I joined Skaga Limited my job description was to build up the sales force, increase the company’s customer base, and increase sales. Although Mr Georgson was the Managing Director of Skaga Limited, he only visited the United Kingdom two or three times a year and I effectively ran the company. In particular, I was free to source frames for sale under the name ‘SKAGA’ from wherever I liked. Indeed, Skaga AB had very little input into how Skaga Limited conducted its business, and at no time gave any instructions on how the name “SKAGA” should be used. When I joined, the only input that Skaga AB had was financial in as much as all the invoicing, credit notes etc for Skaga Limited was done in Sweden, despite the fact that Skaga Limited had its own bank account. In or around 1992, I changed the accounting system so that all invoices and credit notes were sent direct from Skaga Limited in the UK.”

13. Mr Armstrong says that initial efforts to expand the customer base met with limited success because the fashion was for metal frames but the frame styles produced by Skaga AB were all plastic (the old stocks of SKAGA metal frames had been sold off by this time).

14. To fill the gap Mr Armstrong undertook purchasing trips to the Far East to source metal frames which were branded SKAGA. Mr Georgson is said to have accompanied Mr Armstrong on one of these trips in order to purchase metal frames for Skaga AB. Skaga AB did not start to manufacture their own metal frames until the late 1990s. In this regard Mr Armstrong exhibits 1994 and 1995 Skaga of Sweden Metal Collection catalogues (Exhibits PBA2 and PBA6) showing frames sourced by Skaga AB in the Far East and a facsimile message from Skaga AB to Skaga UK Ltd dated 2 April 1999 (Exhibit PBA3) indicating that they were still importing most of their metal frames in 1999.

15. A further expansion of Skaga Ltd’s business took place in 1993 when they started selling frames from Frame Holland (a Dutch manufacturer) and Engelhardt (an Australian manufacturer). These bore the suppliers’ brand names but with stickers added saying ‘distributed in the UK by SKAGA’ (Exhibit PBA4). Alpina branded frames from Germany were a further addition to their range. Mr Armstrong also introduced safety frames to Skaga Ltd’s range. These were sourced in Japan and Korea and were branded SKAGA or, more recently, SKAGA UK.

16. Skaga Ltd’s sales representatives sold all the ranges from sample cases, this being typical in the industry. They also had catalogues but until 1995 only from Skaga AB. Where necessary a sticker would be appended explaining that “only those frames shown in the Skaga Ltd price list are stocked in the UK – please see notes on price list”. This practice continued after the purchase of the business (Mr Armstrong exhibits at PBA5 the cover page of the 1999 catalogue in support of this).

17. Skaga Ltd decided to produce their own catalogue in 1995 to show their complete range. The metal frame catalogue was produced in February/March for Optrafair 95, an international trade fair held at the NEC, Birmingham in April 1995. Copies and proofs for the catalogue were

sent to Mr Georgson at Skaga AB, for final approval. Skaga Ltd had its own stand at that event paid for by itself. Skaga AB did not attend. The catalogue for the show is exhibited at PBA7 and a list of frames available showing countries of origin is exhibited at PBA8.

18. Mr Armstrong goes on to describe the circumstances leading up to the decision to purchase Skaga's UK business from Skaga AB:

“..... I entered into negotiations with Skaga AB, in particular with Mr Georgson, to purchase the name “SKAGA” and the business and assets of Skaga Limited. Naturally, in order to carry on the business, it was vital that I obtain all right and title to the name “SKAGA” in the UK and I used my redundancy settlement in order to fund the purchase of the name and assets. I refer to the pre-contract correspondence between us marked “Exhibit PBA9”. At that time I was not aware that ‘SKAGA’ was a United Kingdom registered trade mark and there had been no indication in any of the Skaga literature, either prior to or at that time, that this was the case. As can be seen from “Exhibit PBA9” Skaga AB did not indicate that ‘SKAGA’ was a United Kingdom registered trade mark during our negotiations for the purchase of all right and title to the name, nor did they make any reference to it in the sale and purchase agreement which evidenced the transaction. I refer to two different agreements marked ‘Exhibit PBA10’, one is a Sale and Purchase Agreement dated 29<sup>th</sup> December 1995 and the other is a Distributorship Agreement dated 29<sup>th</sup> December 1995.”

19. The vehicle for the purchase was a company formed by Mr Armstrong called Litbuy Ltd which changed its name to Skaga UK Ltd on completion of the sale (Skaga Ltd then became a dormant company before being struck off the register). Further material evidencing this is at Exhibits PBA11 to 13. Since the purchase, Skaga UK Ltd has continued to supply frames from a number of different countries and suppliers under the mark SKAGA without objection, it is said, from Skaga AB (Exhibit PBA14 shows a number of different frames evidencing this). Skaga AB continued to supply their own catalogues in accordance with the terms of the Distributorship Agreement up until 2000.

20. Finally Mr Armstrong gives an indication of the size and nature of the business. He says that in terms of volume of sales, the frames which Skaga UK Limited have purchased from Skaga AB have never amounted to more than 30% of total sales. Approximately 83% of annual turnover relates to SKAGA branded products. Of that 83%, about 22% comes from Skaga AB and those frames have ‘SKAGA MADE IN SWEDEN’ or some combination of those words printed on the inside frame arm and on the sample dummy lens. 61% is directly sourced by Skaga UK Limited from a variety of different countries and have ‘SKAGA UK’ printed on the inside frame arm and on the sample dummy lens. The remaining 17% of annual turnover relates to brand names other than SKAGA, again, directly sourced by Skaga UK Limited.

21. Between the date of the acquisition of the UK business and 31 March 2002 approximately 65,000 units bearing the name SKAGA have been sold with a value of £804,020. Sales have been made in a wide variety of locations throughout the country.

22. Two further witness statements have been filed. The first is from Jane Carol Cohen, a dispensing optician, the second is from Henry Berry Taylor, the Managing Director of an optical company. They give evidence as to their business dealings with Mr Armstrong their knowledge of the mark and their understanding as to the source of the goods they were buying. I will return to their evidence in due course.

23. As I have said, the registered proprietors are content to adopt Mr Armstrong's evidence in support of their own position. They have, however, filed a witness statement by way of initial evidence in the non-use revocation action (later adopted for the purpose of the other actions as well). This comes from Jonas Netterström, the Managing Director of Skaga AB. The main points are that:

- sales of SKAGA spectacle frames have been made in the UK since at least October 1968 originally by a Mr Lajos Zseni;
- Mr Zseni's death in 1989 led to Mr Armstrong's appointment;
- Mr Armstrong purchased the company [sic] in 1995;
- in May 2001 Skaga AB decided to find other channels for the sale of their spectacle frames in the UK;
- catalogues (Exhibit 1) were supplied to a number of suppliers including Skaga UK Ltd;
- invoices from 1 January 1988 to 10 October 2001 are exhibited (Exhibit 2) relating to sales to Skaga Ltd/Skaga UK Ltd;
- a copy of statements of accounts for the UK business are exhibited (Exhibit 3);
- copies of correspondence between Skaga Ltd and Skaga UK Ltd relating to the agreement and the termination thereof are exhibited (Exhibit 4).

24. That completes my review of the evidence.

### **Surrender request**

25. On 3 April 2003 Urquhart-Dykes & Lord wrote to the Registry on behalf of the registered proprietors indicating that they wished to withdraw, as they put it, the registration under attack. That was followed on 7 April 2003 (that is two days before the hearing) by a formal request on Form TM22 to surrender the registration.

26. That might be thought to have met the applicants wish to have the registration removed from the register. However, by letter dated 4 April 2003, Boulton Wade Tennant wrote to the Registry on behalf of their client to say that they wished to contest the surrender request because part of their case is that Skaga AB are not the proprietors of No. 1326497 and they want the register

rectified to reflect this fact by having the applicants' name substituted as proprietors of the mark. That raised a point of law which, it seemed to me, required consideration at the hearing. I, therefore, indicated that the hearing would go ahead in line with the applicants' wishes.

27. The relevant statutory provisions relating to surrender of a registered trade mark are to be found in Section 45 of the Act:

“45.-(1) A registered trade mark may be surrendered by the proprietor in respect of some or all of the goods or services for which it is registered.

(2) Provision may be made by rules-

- (a) as to the manner and effect of a surrender, and
- (b) for protecting the interests of other persons having a right in the registered trade mark.”

and the rules made under the above provision namely Rule 26:

“26.-(1) Subject to paragraph (2) below, the proprietor may surrender a registered trade mark, by sending notice to the registrar-

- (a) on Form TM22 in respect of all the goods or services for which it is registered; or
- (b) on Form TM23, in respect only of those goods or services specified by him in the notice.

(2) A notice under paragraph (1) above shall be of no effect unless the proprietor in that notice-

(a) gives the name and address of any person having a registered interest in the mark, and

(b) certifies that any such person-

(i) has been sent not less than three months' notice of the proprietor's intention to surrender the mark, or

(ii) is not affected or if affected consents thereto.

(3) The registrar shall, upon the surrender taking effect, make the appropriate entry in the register and publish the same.”

28. Mr Arnold submitted that the application to surrender does not deprive the Registrar of jurisdiction and referred me in support of this view to the case of *Connaught Laboratories Inc's*

*Patent* [1999] FSR 284 involving a petition to revoke a patent. The equivalent provision in the Patent Act 1977 dealing with surrender reads:

“(1) The proprietor of a patent may at any time by notice given to the Comptroller offer to surrender his patent.

(2) A person may give notice to the Comptroller of his opposition to the surrender of a patent under this section, and if he does so the Comptroller shall notify the proprietor of the patent and determine the question.

(3) If the Comptroller is satisfied that the patent may properly be surrendered, he may accept the offer and, as from the date when notice of his acceptance is published in the journal, the patent shall cease to have effect, but no action for infringement shall lie in respect of any act done before that date and no right to compensation shall accrue for any use of the patented invention before that date for the services of the Crown.”

29. Whilst Mr Arnold acknowledged that the trade mark and patent provisions are different, he suggested that it was open to me to follow the course adopted by Laddie J in *Connaught* and deal with the applicants’ rectification action notwithstanding the existence of the surrender request. Before considering this point I should briefly add that my attention was also drawn to a passage in *Connaught* dealing with the *ex nunc* effect of surrender compared to the *ex tunc* effect of revocation. The Trade Mark law makes no specific provision as to the effective date of surrender. In the absence of submissions to the contrary I am of the view that the effective date of surrender would be the date of receipt of a properly completed request (certainly in this case no earlier date has been requested even if it were possible).

30. It seems to me that the provisions of the Patent Act set out above present a different scheme of operation to the equivalent provisions in the Trade Mark law. In particular Section 45 appears to grant the proprietor of a registered trade mark an absolute right to ask for its surrender subject only to completion of the formalities required by Rule 26(1) and observance of the requirements of Rule 26(2). These points apart, unlike the Patent Act, the Registrar does not have to be satisfied that the trade mark may properly be surrendered and is given no discretionary power in relation to the offer to surrender. I do not, therefore, draw any direct assistance from the *Connaught* case and a comparison with the Patent Act provisions.

31. Nor do the provisions of Rule 26(2) appear to offer the applicants any assistance. By virtue of Rule 26(2)(a) and (b) notice of surrender shall be of no effect unless the proprietor gives the name and address of any person having a registered interest in the mark and certifies in accordance with sub paragraphs (i) or (ii). Form TM22 (Notice of surrender) requires the filer to answer the question “Are there any licensees or does any one else have a registered interest in the registration?” I note that the proprietors have indicated in response to this “Rectification No. 12597 by Skaga UK Limited”. That might suggest they consider themselves to be complying with Rule 26(2)(a) and to have made an admission against interest. But Rule 26(2) is quite specific in referring to a ‘registered interest’. The provision is intended to deal with the position of persons such as licensees and holders of a mortgage or other security interest in the trade mark

as their interests would be at risk if the proprietor was able to surrender the registration without their being made aware of it. Such interests are capable of being registered pursuant to Section 25 of the Act but the provisions of Rule 26(2)(a) only bite if they are registered. The applicants here do not have a registered interest as such and, to the extent that Mr Arnold developed a supplementary argument to the effect that “registered interest”, should be interpreted in its broadest sense (to include something that can be registered ie registrable) I cannot accept it. His main point, however, was that Section 45(1) refers to the entitlement of the proprietor to surrender the mark. It does not say registered proprietor. Thus in his view the position of say, a proprietor by assignment who has simply not yet recorded his proprietorship would be protected as he and not the proprietor of record is the real owner.

32. It may not be safe to rely on the use of ‘proprietor’ rather than ‘registered proprietor’ in Section 45. The Act generally employs the term proprietor or proprietor of a registered trade mark rather than registered proprietor and Rule 2(1) (Interpretation) indicates that “ ‘proprietor’ means the person registered as the proprietor of the trade mark”. Rule 26(1) must, therefore, be construed accordingly. Nevertheless it remains the case that an application for rectification has been made at a date that precedes the surrender request. If successful, that request would have the effect of having the register rectified so as to substitute the applicants name for that of the proprietor of record as from 29 December 1995. In those circumstances the proprietor of record could not claim to be the proprietor of the registered trade mark as at the date of filing the notice of surrender and the latter would in effect be a nullity. I conclude, therefore, that the applicants are entitled to have implementation of the surrender request stayed until such time as these proceedings have been finally determined.

33. There is, however, a further matter I need to deal with bearing on the interrelationship between the request to surrender the mark and the other post registration actions generally (rectification apart that is). I have found that, because it is only the proprietor who is entitled to surrender a mark, a surrender request should not be actioned whilst there is an action outstanding bearing on entitlement to proprietorship. Prima facie it might be thought that a surrender request should not be stayed pending the determination of post registration actions that do not strictly concern the issue of proprietorship.

34. I think that would be too narrow a view of the matter. Success for the applicants on any of the other actions they have brought would have the effect of removing the registration from dates (albeit different in each case) anterior to the filing of the surrender request. The consequence of that would be to make the surrender request a nullity. Accordingly I am of the view that it is also within my jurisdiction to consider the applicants’ other post-registration actions.

#### **Section 64 – rectification**

35. Rectification is sought with effect from 29 December 1995, the date of the Sale Agreement between Skaga Ltd and Litbuy Ltd (later Skaga UK Ltd). It is the applicants’ contention that rights in the mark passed to them as a result of this Agreement. The Sale Agreement included a Distributorship Agreement whereby Skaga UK Ltd would act as distributor in the UK for products emanating from Skaga AB. The Sale and Distributorship Agreements thus fall to be construed together. Subject to my decision on the construction to be placed on these documents

Mr Arnold says that the Sale Agreement complies with the statutory formalities specified in Section 24(3) of the Act and is an effective assignment.

36. The key provisions of the Sale Agreement are as follows:

Recital 1 –

“1. The Vendor has agreed to sell all assets (defined below) and to transfer the business (defined below) as a going concern to the Purchaser on the terms of this Agreement.”

Recital 2 –

“2. Skaga AB owns all the share capital of the Vendor Company and guarantees as the primary obligation performance of the Vendor in all its obligations within this Agreement.”

Clause 1.1 (Interpretation)

““Assets” The assets named in column (1) of Part I of Schedule 1 being all the assets to be sold and purchased under this Agreement.”

““Business” The business of selling optical frames carried on by the Vendor at the Transfer Date under the name Skaga or Skaga Limited.”

““Goodwill” The goodwill of the Business and the right (to the extent the Vendor can grant the same) for the Purchaser to use the name of Skaga and to represent itself as carrying on the Business in succession to the Vendor.”

Clause 2.1 (Agreement for sale and purchase of business)

“2.1 On and subject to the terms of this Agreement and in order that the Business is transferred as a going concern, the Vendor shall sell as beneficial owner free from all charges, liens, equities, encumbrances and other third party rights of any nature whatsoever and the Purchaser shall purchase as a going concern with effect from the Transfer Date the Business and the Assets.

2.2 The Excluded Assets are excluded from this sale and purchase.”

Clause 4.3 (Condition precedent)

“4.3 Further, the Completion of this Agreement is conditional upon the Vendor and the Vendor’s Guarantor consenting to the Purchaser’s right to adopt and apply for registration of the name SKAGA (UK) LIMITED within 15 working days of Completion and for the transfer hereby of the right to the name SKAGA as provided for herein. However, the Vendor shall not be restricted by virtue of this provision from using the name SKAGA hereafter in relation to its genuine legal obligations to any third party

provided such use shall not be in respect of any trade competition and without limiting the generality of the foregoing shall include the right to use the name SKAGA in dealing with the Inland Revenue, HM Customs & Excise, the Landlord, its Bankers, the various Utility Agencies and any other body in respect of which the Purchaser's prior written consent shall have been granted. The Purchaser will not unreasonably withhold or delay such consent.

In the event that the purchaser, through no fault of its own and for reasons outside its control, is unable to procure the registration of the name SKAGA (UK) LIMITED then this Agreement shall be deemed to have no effect and the parties shall immediately be restored to their respective pre-existing positions as if this Agreement was never entered into.

Any monies paid by either party to the other shall be returned to the paying party without any liability for interest."

#### Clause 6.2 (Completion)

"6.2 At Completion:

(a) The Vendor shall place the Purchaser in effective possession and control of the Business and shall deliver to the Purchaser:

(I) .....

(II) Such duly executed conveyances transfers assignments licences consents as are necessary to complete the Transfer of assets referred to in Schedule 1."

#### Clause 13.1 (Warranties)

"13.1 Save as otherwise provided the Vendor warrants with the Purchaser that it legally and beneficially owns the Assets transferred to the Purchaser under this Agreement."

#### Clause 15 (General provisions)

"15.3 The Vendors Guarantor [Skaga AB] and the Purchaser's Guarantor [Mr P B Armstrong] as far as the payment of the consideration is concerned respectively have assumed the obligations of the Vendor [Skaga Ltd] and the Purchaser [Litbuy Ltd] as their primary obligations giving the Vendor and the Purchaser the right to make direct claims against the Purchaser's Guarantor and the Vendors Guarantor respectively."

#### Schedule 1

##### Part I (The Assets)

Includes

“Right to use the name Skaga £3000.00”

Part II (The Excluded Assets)

Covers cash, any amounts repayable or recoverable from Inland Revenue etc, certain benefits with any insurance claims, trade debts and “Any other Assets owned by the Vendor”.

37. I should add that other provisions in the Sale Agreement prevent the Vendor competing with the Purchaser in the “restricted area” (which includes the UK) during a restricted period of five years and require the Vendor to refer any orders or enquiries to the Purchaser as necessary.

38. The accompanying Distributorship Agreement indicated at 2.1 that:

“Subject to the terms of the Sales Agreement of even date, the Principal hereby appoints the Distributor as its distributor for the sale of the Products in the Territory together with the right to use the name “Skaga” in connection with the sale of the Products in the Territory, and the Distributor hereby agrees to act in that capacity, subject to the terms and conditions of this Agreement.”

39. The first point to be noted is that nowhere in the Sale Agreement is any reference made to the existence of registered trade mark No. 1326497. That is a very surprising omission and ultimately, the reason for these proceedings. The registration was applied for on 11 November 1987 and completed the registration process on 17 March 1989. That was before Mr Armstrong joined Skaga Ltd so it is not surprising that he says he was not aware of it. It does not explain why Skaga AB as holders of the registration and Vendor’s Guarantor did not mention its existence during the course of the sale negotiations. It is otiose to speculate on the reasons for this at this late stage, but it is also scarcely credible that the existence of the mark would not have been referred to (and its future ownership clarified) in the Sale Agreement if it had been identified.

40. I am thus thrown back on the interpretation to be placed on the terms of the Sale Agreement itself. Mr Arnold’s submission was that the proper approach to the interpretation of a contract was to seek objectively to ascertain the meaning of the words chosen by the parties to express their agreement and not to seek to discern the subjective intentions of the parties. I believe that that is correct and consistent with the principle that the law is not concerned with the parties’ actual intentions but with their manifest intentions as evidenced by the written contract.

41. Mr Arnold summarised the applicants’ case as follows in his skeleton argument:

“Thus by the Sale Agreement Skaga Ltd agreed to sell, and the Proprietor assumed Skaga Ltd’s obligation to sell, to the Applicant (1) the “right to use the name Skaga”, (2) the goodwill of the Business and (3) the right to represent itself as carrying on the Business in succession to Skaga Ltd. Furthermore, the sale was free of third party rights of any nature and was conditional upon the transfer of “the right to the name SKAGA”. Still

further, Skaga Ltd agreed to deliver, and the Proprietor agreed to assume Skaga Ltd's obligation to deliver, such duly executed assignments as were necessary to complete the transfer of the right to use the name. Yet further, Skaga Ltd undertook, and the Proprietor assumed Skaga Ltd's undertaking, not to represent itself as being in any way connected with the Business or to compete with it for a period of 5 years."

42. On this basis it is suggested that the terms of the Sale Agreement are in themselves sufficient to ascertain the intention to transfer all rights in the name SKAGA to the applicants.

Alternatively it is said that it is a necessary implication of the Sale Agreement in that it was implicit in what was agreed or necessary to give affect to what was expressly agreed.

43. The registered proprietors' position is set out in their counterstatement as follows:

"On 29 December 1995 the Applicant and Respondent entered into two agreements, namely a Distribution Agreement and a Sale Agreement. Skaga Limited and P B Armstrong were also parties to the Sale Agreement. Under the terms of those agreements the Applicant was granted the right to distribute the Respondent's goods in the United Kingdom, such goods to be bearing the Trade Mark. In support of the distribution rights granted to the Applicant certain assets were sold to the Applicant. Such assets did not include the Trade Mark. But the Applicant was granted a licence under the Trade Mark to use SKAGA in the United Kingdom on the Respondent's goods distributed in this country by the Applicant."

44. Apart from the absence of any specific provision dealing with trade mark registration No. 1326497, the principal obstacles to a clear reading of the Sale Agreement are the mixed use of expressions such as "right to the name SKAGA" and "right to use the name SKAGA" and the fact that the document deals at various points with the right to apply for and use SKAGA as part of a company name as distinct from as a trade mark.

45. So far as the first of these points is concerned "the right to use the name SKAGA" (see the definition of 'goodwill' and the reference under 'Assets') is not inconsistent with transferring ownership of the name but, taken out of context, might equally be interpreted as an intention to permit the purchaser to use the name but without the vendor relinquishing ownership.

46. The reference in Clause 4.3 dealing with the right to the name SKAGA is less susceptible to alternative interpretations. It provides, inter alia, for the purchaser to be able to adopt and "apply for registration of the name Skaga (UK) Limited" and "for the transfer hereby of the right to the name SKAGA as provided for herein". The first provision is clearly concerned with the company name. It is apparent from the pre contract correspondence that securing a company name with SKAGA in it was of importance to the applicants. The point was eventually reflected in the Board resolution confirming the sale (Item 2 in the last document in PBA9).

47. The second provision relating to the transfer of the name SKAGA can only, it seems to me, have related to a trade mark right. As there was no awareness at the time (on either side) of the registered trade mark I infer that the transfer was in respect of the common law right arising from the business conducted under the name SKAGA. I do not accept the claim in the registered

proprietors' counterstatement that the applicants were granted "a licence under the trade mark to use SKAGA in the United Kingdom on the respondent's goods distributed in this country by the applicant." That much is neither explicit nor implicit in the Distributorship Agreement. It is true that the Distributorship Agreement refers in Clause 2.1 to the 'right to use the name SKAGA'. The inclusion of that provision may or may not result from the use of a standard form document (as Mr Arnold was inclined to suggest). It was certainly an unnecessary provision to the extent that a distributor does not need any further permission from the manufacturer to place the latter's goods on the market. The Distributorship Agreement must in any case be read in a manner consistent with the Sale Agreement of which it is a part.

48. It is well established that there is no right of a property in an unregistered trade mark or name. The mark or name is inextricably bound up with, and is the outward sign of, the underlying business. I am not aware that a name can be retained or assigned separately from the goodwill of the business to which it relates. The transfer of the business necessarily carries with it the right to the name used in that business. If or to the extent that there are lawful exceptions to those general principles (under Section 22(3) of the Trade Marks Act 1938, for instance, it was possible to assign an unregistered mark in certain circumstances when it was used in the same business as a registered mark and the marks were transferred as a package) I am not aware that they apply in this case. It thus follows that the sale of a business and the goodwill that goes with it bestows upon the purchaser the rights previously enjoyed by the vendor including the right to use the name. By the same token the vendor relinquishes the rights he previously held.

49. As the Sale Agreement here expressly transferred the goodwill of the business to Litbuy Ltd and entitled the Purchasers to represent themselves as carrying on the business in succession to the Vendors it is difficult to see how this could take effect without the purchaser having the concomitant right to the name under which that business had been conducted. The provision that the purchaser was to have the right to use the name may suggest an element of ambiguity but is not inconsistent with the above reading of the 'Goodwill provision'. It is also entirely consistent with the principles set out above and with the provision of Clause 4.3 which provides for the transfer of the right to the name. The latter is both a logical and necessary consequence of the transfer of the goodwill and the entitlement granted to the purchasers to represent themselves as successors in business.

50. Clause 4.3 also expressly provides that "... the Vendor shall not be restricted by virtue of this provision from using the name SKAGA hereafter in relation to its genuine legal obligations to any third party provided such use shall not be in respect of any trade competition and without limiting the generality of the foregoing shall include the right to use the name SKAGA in dealing with the Inland Revenue, HM Customs & Excise, the Landlord, its Bankers, the various Utility Agencies and any other body in respect of which the Purchaser's prior written consent shall have been granted".

51. That was a necessary provision in order to protect any existing or continuing obligations that Skaga Ltd needed to fulfil. It would not have been necessary if the Vendors or their Guarantor had in any case retained ownership of the name and merely given permission to the Purchasers to use it. Finally, even if the Vendors had reason to think that they could retain ownership of the name SKAGA independently of the transfer of the business and associated goodwill it is scarcely

credible that there would not have been some recognition of that state of affairs either in the list of Excluded Assets in Schedule 1 or elsewhere in the Sale Agreement.

52. I, therefore, conclude that, despite the interpretation the registered proprietors seek to place on the Agreements, the effect was to transfer to Litbuy Ltd/Skaga UK Ltd the goodwill of the business previously conducted by Skaga Ltd together with the sign under which that business was known. There is nevertheless the point that the Agreements make no reference to or acknowledgement of the registered trade mark. In Blackstone's Law of Contract (Second Edition) it is said that "A court may be required to imply a term into a contract if the parties have specified only the rudimentary obligations or if a disagreement ensues from which it is apparent that the parties have not provided for the contingency at issue". To the extent that it is necessary to do so I believe I am entitled to conclude that the transfer of the registered trade mark was also necessary to give business efficacy to what had been agreed.

53. The applicants are thus successful in their request under Section 64 and the register will be rectified accordingly to show Skaga UK Limited as proprietors of the registration with effect from 29 December 1995.

#### **Section 46(1)(d)**

54. Mr Arnold submitted that if I was with him on the Section 64 point then I did not need to address the remaining grounds. As this case has given rise to difficult issues and, in case on appeal I am found to be wrong in the above view, I believe it would be appropriate to consider the applicants' secondary case under Section 46(1)(d).

The Section reads:

"46.-(1) The registration of a trade mark may be revoked on any of the following grounds -

- (a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;
- (b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use;
- (c) that, in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service for which it is registered;
- (d) that in consequence of the use made of it by the proprietor or with his consent in relation to the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or

geographical origin of those goods or services.”

55. If the mark was not transferred to the applicants by reason of the Sale Agreement then what is the effect of use since that date? The applicants’ primary position under this head is that, on the facts of the case, the mark has become deceptive as to trade origin. I do not understand the registered proprietors to dispute the proposition that deceptiveness as to trade origin can be considered under this head (though they do dispute that it has occurred). In any case *Scandecor Developments AB v Scandecor Marketing AV and Others*, [2002] FSR 7, is authority for this view on the scope of the Section. Although the Scandecor case is of assistance in this respect and may at first glance appear to concern a similar set of circumstances to those in issue before me there is an important distinction in that Scandecor was concerned with the question of whether use under a bare licence was inherently likely to deceive. Although the registered proprietors’ counterstatement suggests that the applicants were granted a licence to use the mark SKAGA that appears to be in contradiction of the facts which indicate that the applicants were distributors of the registered proprietors’ goods. The distinction between those two categories of activities is noted in Scandecor (per Lord Nicholls of Birkenhead):

“15. Before proceeding further I should dispose of a point which is sometimes a source of confusion. It concerns what is meant by ‘licensing’. A wholesaler or retailer who buys and re-sells goods on which the manufacturer has placed his trade mark does not need a licence to use the manufacturer’s mark. The wholesaler or retailer needs no such licence for the simple reason that he is merely selling the manufacturer’s goods to which the manufacturer has already attached the manufacturer’s mark. Re-selling goods bearing the manufacturer’s mark is not an infringement of that mark: see section 10(6) of the 1994 Act and, previously, section 4(3) of the 1938 Act. Thus a distributorship agreement, under which a person is permitted to sell another’s goods, is to be distinguished sharply from a licensing agreement, under which the licensee is granted permission to use the licensor’s mark on the licensee’s own goods. When I refer to licences and licensing I am referring to an agreement of the latter character.”

56. It is tolerably clear from the evidence that the relationship between Skaga AB and Skaga UK Ltd after, and as a consequence of, the Sale Agreement of 29 December 1995 was that the latter was appointed as distributor for the former’s products. The relevant provisions of the Distributorship Agreement read:

Clause 1.1

“ ‘PRODUCTS’ means such products of the kind referred to in recital (a) as are manufactured by or for the Principal and are from time to time notified in writing by the Principal to the Distributor;”

Clause 2.1

“Subject to the terms of the Sales Agreement of even date, the Principal hereby appoints the Distributor as its distributor for the sale of the Products in the Territory together with the right to use the name “Skaga” in connection with the

sale of the Products in the Territory, and the Distributor hereby agrees to act in that capacity, subject to the terms and conditions of this Agreement.”

57. At the same time as Skaga UK Ltd was using the mark SKAGA in relation to the sale of goods emanating from Skaga AB the UK firm was also using SKAGA in relation to goods sourced independently from, particularly, Far Eastern suppliers. In fact, on Mr Armstrong’s uncontested evidence the bulk of the sales made under the mark SKAGA was accounted for by such sales (83% of the UK firm’s turnover is attributed to SKAGA branded goods of which only 22% came from Skaga AB – Mr Armstrong, paragraph 17). Furthermore it is clear that this activity was uncontrolled by Skaga AB. Mr Armstrong says:

“In particular, I was free to source frames for sale under the name ‘SKAGA’ from wherever I liked. Indeed, Skaga AB had very little input into how Skaga Limited conducted its business, and at no time gave any instructions on how the name “SKAGA” should be used.”

58. That state of affairs might be justified in the period when Skaga Ltd was a wholly owned subsidiary of Skaga AB on the basis that the Swedish parent at least exercised control by selecting and appointing Mr Armstrong to run the business (Skaga Ltd’s activities may thus have been under an implied licence). It was always likely to create difficulties when the UK business became a free standing one shorn of corporate control by Skaga AB.

59. The function of a trade mark is “in particular to guarantee the trade mark as an indication of origin” (Recital 10 to First Council Directive 89/104). If ownership of the mark did not pass from Skaga AB to Litbuy Ltd/Skaga UK Ltd then the position is that some of the use was with the consent of the proprietor, namely those goods emanating from Skaga AB under the Distributorship Agreement; and some was not, namely goods manufactured and branded SKAGA at the instigation of Skaga UK Ltd and outwith the control of Skaga AB. On that basis it is difficult to escape the conclusion that SKAGA had ceased to act as a guarantee of origin in the sense that it indicated a single trade source.

60. The witness statements provided by two members of the trade provide some support for this view although I am reluctant to place too much reliance on their views in the absence of cross examination. I say this because it is clear that their dealings were exclusively with Mr Armstrong and appear to suffer from a number of misconceptions which suggest their views are not wholly reliable. Ms Cohen, a dispensing optician suggests for instance that “I would describe all frames supplied to me by Paul as ‘made by Skaga’, including the Engelhardt frames.” As Engelhardt is a third party manufacturer it is difficult to see why Ms Cohen would hold the above view. Furthermore both Ms Cohen and Mr Taylor, the Managing Director of an optical company, make assumptions as to the origin of goods without any clear foundation for their views. This state of affairs may also reflect the difficulties inherent in making statements in May 2002 about events and beliefs some years previously.

61. Finally Mr Arnold drew my attention to the registered proprietors’ counterstatement in the invalidity action where they say that, contrary to the applicant’s claim in relation to passing off (based on the latter’s acquisition of the mark), the use of the mark SKAGA “on spectacle frames

in the United Kingdom constitutes a representation that the frames were made by Skaga AB. That representation is accurate.” By adopting Mr Armstrong’s evidence as to use of the mark as their own they are also admitting that some (most in fact) of the use of SKAGA since December 1995 has been in relation to goods that were not made by Skaga AB. For all these reasons I find that the applicants would succeed in the alternative under Section 46(1)(d) on the basis that the mark had become deceptive as to trade origin. The applicants’ statement of grounds contends that deceptiveness arises “as a result of this agreement [ie. the Sale Agreement] and consequent use of the SKAGA mark by the applicant in the UK...”. The objection is thus framed in terms of the period following the Sale Agreement. On that basis the registration would stand to be revoked under Section 46(1)(d) with effect from 29 December 1995 having regard also to the provisions of Section 46(6)(b). However, in the light of my decision under Section 64 it is not necessary or appropriate to give effect to this finding on the applicants’ alternative ground.

62. For the sake of completeness I will deal briefly with a yet further objection under Section 46(1)(d) to the effect that the mark is liable to mislead the public as to the geographical origin of the goods. This objection too is based on the same factual matrix as set out above. The case was put as follows in Mr Arnold’s skeleton argument:

“In the alternative to the foregoing case on deceptiveness as to trade origin, it is submitted that the Mark is liable to mislead the public as to the geographical origin of the goods as a result of the use made of it before the Sale Agreement. It is common ground on the pleadings that, prior to 29 December 1995, the Mark was used by Skaga Ltd with the Proprietor’s consent. So far as plastic frames are concerned, such use was in respect of frames originating from Sweden; while metal frames were sourced from elsewhere: see Armstrong 4-12. Nevertheless the Proprietor and its subsidiary consistently advertised and promoted the goods as originating from Sweden, for example by use of logos comprising the words SKAGA OF SWEDEN and SKAGA MADE IN SWEDEN and making statements such as “Skaga AB is the largest manufacturer in Northern Europe of high quality spectacle frames of modern Swedish design” in catalogues: see the catalogues in Exhibit 1 to Netterstrom I and the letterheads in PBA9. This was true even in respect of metal frames: see PBA2, PBA6, PBA7. As a result the Mark became strongly associated with a Swedish origin: see Cohen 4, Taylor 3. It follows that the Mark was liable to mislead the public as to the geographical origin of metal frames sold under it.”

63. It seemed to me that this objection would be difficult to sustain because there is nothing in the mark SKAGA that unequivocally suggests Swedish origin. At most it might sound a slightly Nordic name but even that much is uncertain. However, Mr Arnold put his case on the basis that Section 46(1)(d) deals with a mark that is liable to mislead “in consequence of the use made of it” in contrast to the otherwise comparable provision of Section 3(3)(b) which deals with ineligibility for registration if a mark is “of such a nature as to deceive the public (for instance as to the nature, quality or geographical origin of the goods or services)”. The reference to ‘of such a nature’ in his views points to an inherent aspect of the mark in contrast to the use based provision of Section 46(1)(d). The applicants’ case on deceptiveness as to geographical origin is based on the use of the mark by Skaga Ltd prior to the Sale Agreement as distinct from the

manner of use by Skaga UK Ltd following the Sale Agreement which it is said is not open to criticism on this account.

64. I am not persuaded that the interpretation Mr Arnold seeks to place on the provisions of Section 46(1)(d) is sustainable given that it refers to the 'use made of it' (meaning the mark as registered) but the objection is unlikely to succeed for other reasons. In particular I do not read the evidence as supporting the claim that there was, in the period before 29 December 1995, any misrepresentation as to the geographical origin of the goods. The document principally relied on by Mr Arnold is a brochure/catalogue, the front cover of which shows 'Skaga of Sweden' displaying a selection of metal frames which may well have been sourced outside of Sweden. It seems to me that the brochure/catalogue does no more than make the factually correct reference to the fact that Skaga is a Swedish company. It makes no representation or misrepresentation as to the geographical origin of the frames shown. It is true that some of the frames would have been of Swedish origin but I do not think there is any necessary or misleading inference that all the frames emanate from Sweden. This aspect of the applicants Section 46(1)(d) case fails on the facts even if I am wrong as to the law itself. Nevertheless the applicants succeed on the trade origin aspect of their objection under this head.

#### **Sections 46(1)(b) and 47(2)(b)/5(4)(a)**

65. In the light of the outcome of the applicant's principal grounds of attack I do not propose to deal with these further alternative grounds. If I am right in relation to the Section 64 ground the non-use action would fall away. If I am wrong on the Section 64 then in respect of that part of Skaga UK Ltd's trade which involved distributing Skaga AB's goods there has been use by the proprietors or with their consent (probably the former as Skaga UK Ltd was a distributor rather than licensee). On this latter scenario the proprietors would have a defence under Section 46(1)(b) but would still fail because of the outcome under Section 46(1)(d).

66. The invalidity action under Section 47(2)(b)/5(4)(a) is premised on the applicants having goodwill which they did not own at the time the No. 1326497 was filed but which they subsequently acquired (as a result of the Sale Agreement). The point turns on the submission that if the Sale Agreement did not amount to an assignment of the Mark, it separated ownership of the Mark from ownership of (at least part of) the goodwill relating to it. If that separation does not result in the Mark being revoked under section 46(1)(d) then it is said that the only alternative is revocation under section 47(2)(b). It is further submitted that the use of the present tense in section 47(2)(b) enables such a case to be run.

67. As I have found in the applicants' favour under Section 46(1)(d) I do no more than record the applicants' case but without needing to decide the merits of it.

#### **Costs**

68. The applicants have been successful and are entitled to a contribution towards their costs. In a covering letter dealing with the surrender request Urquhart-Dykes & Lord had suggested that if Skaga UK Ltd wished to contest surrender of the registration and continue with the hearing then any associated costs should be borne by them. There are good and valid reasons why the

applicants have been entitled to have the underlying issues determined and I have found that the surrender request should be stayed pending the resolution of the other actions. I decline to penalise the applicants in this regard.

69. Mr Arnold did not ask for any additional award for having to deal with the effect of the surrender request. Nor did he ask for an award above the published scale. He did, however, submit that, as the issues raised by these actions were closely interrelated, if his clients prevailed on any one of them then an award should be made in respect of the costs in all four cases.

70. There is some force to Mr Arnold's submission. The circumstances of this case are unusual and have given rise to difficult issues of law. I accept that it was necessary for the applicants to file a number of actions in order to equip themselves with alternative avenues of attack. Equally I am entitled to take into account the extent to which the applicants have been successful and the extent to which they have been unsuccessful. Their success overall must, therefore, be balanced against the fact that the Section 46(1)(b) non-use case was always likely to be resolved as a result of decisions on the primary grounds and the Section 46(1)(d) deceptiveness as to geographical origin case appeared to me to have limited prospect of success on the evidence.

71. I also bear in mind that the cases have been consolidated with the result that it has been possible for the parties to file single sets of evidence though it was necessary for Mr Arnold to address the issues individually at the hearing.

72. In all the circumstances I propose to make an award reflecting the applicants' success in their two primary grounds albeit that they represent alternative positions with different results. I order the registered proprietors to pay the applicants the sum of £3400. This sum is to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

**Dated this 15 day of May 2003**

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