

O-468-12

IN THE MATTER OF REGISTRATION No 2440539 (“SIMMONS”)

IN THE NAME OF KORVAL INC.

AND IN THE MATTER OF

AN APPLICATION FOR A DECLARATION OF INVALIDITY THEREOF

UNDER No. 83749 BY SOUNDUNIT LIMITED

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**DECISION**

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**INTRODUCTION**

1. This is an appeal from the Decision of Mr G W Salthouse for the Registrar dated 16 December 2011 in which he allowed the applicant’s declaration of invalidity of GB 2440539 pursuant to s.47 of the Trade Marks Act 1994 (“the Act”) on the grounds set out in sections 5(4)(a) (passing off) and 3(6) (registration in bad faith) of the Act. The proprietor, Korval Inc., to which the mark in question was assigned from the Guitar Centre Inc. in January 2011 appeals against the decision on several grounds.

2. The trade mark in question is for the word SIMMONS, and was registered on 7 December 2007 pursuant to an application made on 4 December 2006 in respect of

Interfaces for drum triggers, drum sound and midi expanders and drum triggers all being parts and fittings for electronic drum kits; drum paths, accessory cables, drum pads; digital drums, electronic drum kits incorporating speakers and amplifiers; replacement parts to all of the above; electronic drum kits.

## **THE DECISION**

3. The Hearing Officer summarized the evidence, reviewed the authorities, concluded that goodwill continued to subsist in the SIMMONS mark at the relevant date which had not been abandoned and that the case under s. 5(4)(a) was made out. He also concluded that the application for registration had been made in bad faith under s.3(6).

## **BACKGROUND AND SUMMARY OF FACTS**

4. Mr David Simmons, the Managing Director of the applicant, is a designer of electronic musical instruments and, in particular, drum kits. In the late 1970s, he had a company, Musicaid, which sold general musical instruments. It started to develop electronic percussion instruments. One of the products it designed and launched to critical acclaim was an electronic drum kit with distinctive hexagonal shaped pads. That company ran out of money but Mr Simmons started a new one, Simmons Electronics Ltd in 1980 to develop the fledging electronic drum designs for production.

5. These SIMMONS-branded drums were taken up by some of the most popular bands of the time, including Culture Club, ABC and Spandau Ballet. Bill Bruford, the drummer of the progressive rock bands Yes, Genesis and King Crimson, was a fan. Other leading drummers of the time, including Phil Collins and Carl Palmer are described in one contemporary article as “having electrified themselves with Simmons”. SIMMONS drums featured on Top of the Pops, and partly as a result of their distinctive visual appearance, they became very successful. A substantial factory was opened in St Albans to manufacture the products and the evidence makes it plain that Mr Simmons was closely involved personally with design and production.

6. Much was written about them in the trade press in the early 1980s and SIMMONS drums were sold in large quantities. Some of the press material in evidence shows the impact that they had, with early reports describing the SIMMONS drums as a “show stealer” (Sounds, 1980), and, in the case of the SDS V a “revolutionary instrument”. They are described in a book called “Rock Hardware” (1981) as “the first significant departure from the traditional acoustic kit”

7. By 1984, SIMMONS drums had attracted overseas attention. They were stocked by Mannys in New York (described in the evidence as a “legendary” outlet). In 1986, they were the top selling drum kits in the US. Of some significance is the fact that SIMMONS electronic

drums were supplied to the registered proprietor's predecessor in title, the Guitar Centre Inc. in the US, a substantial retail music chain during the 1980s and 1990s. In 1984, sales in the US alone were over US\$10 million.

8. Mr Simmons describes the drums as "an icon of that time" and says that he became a mini-celebrity, featuring on the BBC. One article from the time said that "The Simmons name is now a world leader". Another, from 1986 says that "Simmons seems to be the word on everyone's lips these days..."

9. Simmons Electronics Limited (SEL) registered the mark SIMMONS in the USA and obtained protection for the hexagonal shape of the drums. These were done using the same firm of trade mark agents who now act for the registered proprietor although the evidence is clear that the individuals concerned in the present registration were not aware of this history at the time the applications were made.

10. However, musical fashions changed and bands moved back to using more acoustic percussion drums. In 1986 SEL had financial problems and the company was sold to Carlton Communications. There are two newspaper articles both from the Financial Times which refer to this sale. Mr Simmons states that on 6 April 1988 he set up a company called Talehurst Electronics Limited, which changed its name to Simmons Digital Music Ltd on 27 June 1988. He states that this company purchased the assets stock and intellectual property from Carlton Communications.

11. In addition to the evidence of very substantial earlier sales, there is evidence of the following sales figures of SIMMONS drum kits and accessories in more recent years:

Year	Sales figures
1/4/89 - 30/9/90	457,698
1/10/90 - 30/9/91	223,984
1/10/91 - 30/9/92	186,191
1/10/92 - 30/9/93	173,178
1/10/93 - 30/9//94	161,737
1/10/94 - 30/9/95	67,741

1/10/95 - 30/9/96 39,979

1/10/96 - 30/9/97 43,448

**The Hearing Officer's conclusions on the issue of goodwill**

12. The Hearing Officer reviewed the evidence concerning the use of the SIMMONS mark and the transmission of title to the earlier goodwill in some detail. At paragraphs [5]-[6] of the Decision, he summarized the evidence of trade and reputation prior to 1986. At paragraphs [6]-[12] he summarized the evidence of the transmission of title to the goodwill through the various successor companies until 1989 and, at paragraph [12], he summarized the sales figures given above in the years 1989 to 1997. The Hearing Officer made findings concerning the goodwill at the relevant date, based on this evidence, in paragraph [30] and [33] to which I return below.

**Guitar Center enters the picture**

13. In 1994, the US registration for SIMMONS was cancelled by the USPTO. The Guitar Center Inc., apparently thought that the SIMMONS mark was a good one to use for electronic drums and it decided to adopt it for a range of its products, which were first marketed under that mark in 2006.

14. Mr Angress, Executive Vice President of the Guitar Center Inc., who gives evidence on behalf of the registered proprietor says:

4. Given the length of time that had passed since Mr Simmons or his company had used the Simmons mark in the manufacture and sale of electronic drum kits, or for any other goods, and given the length of time since the registration had been cancelled by the USPTO, we believed that neither Mr Simmons nor his company maintained any further ownership of the SIMMONS mark and we decided to use the mark for our line of electronic drum kits.

15. He also says that they were aware from common knowledge in the musical instrument industry that:

David Simmons and/or his company, Simmons Electronics Ltd had ceased manufacturing and selling a line of electronic drum kits under the SIMMONS mark for a period of approximately ten years.

16. However, no attempt was made to contact Mr Simmons or his company to determine whether there would be any objection to the use of his own name in respect of electronic drumming equipment. One of Mr Angress' exhibits, the Wikipedia entry for Simmons Drum, dated 15/6/2006, states that "Simmons went out of business in 1993" but it also said that "For devotees of the sound, the legend of the original Simmons SDSV lives on".

17. Mr Simmons' evidence is that the registered proprietor has been using not only his company's trade mark but also similar model designations such as "SD9K Electronic drum" (his company used SDS3 etc), and has also copied the hexagonal shape. This, he contended, was calculated to give the impression that the supplier is the original company and to take advantage of the reputation and goodwill of his company. A number of witness statements from well known percussionists, retailers and enthusiasts are exhibited to Mr Simmons' evidence. They state that the name SIMMONS remains well-known in the music world and is linked to its inventor Mr David Simmons. As well as confirming that there is a thriving market in second hand SIMMONS drum kit, a number of these statements express concern about the prospect of confusion.

18. The Hearing Officer held that by September 2006, the date on which it is said that the registered proprietor began to use the mark and therefore the date that the Hearing Officer took to be relevant for assessing the goodwill, the applicant had a sufficient goodwill which he held had not been abandoned to found a case of passing off.

19. The evidence relating to the applicant's use of the mark relevant to the bad faith attack was in substance the same as that relied on in support of the case in passing off. Having summarized the relevant principles of law at paragraphs [38]-[40] of the Decision, the Hearing Officer made his findings on s.3(6) at paragraphs [40]-[41].

## **GROUND OF APPEAL**

20. The Grounds of Appeal take 11 points which may be summarized as follows:

### **Section 5(4)(a) grounds**

- a. The Registrar erred in holding that the applicant had acquired title to the intellectual property rights upon which it relies to found its claim.

- b. The Registrar should not have held that the applicant's evidence was unchallenged in relevant respects. (It is more convenient to address the registered proprietor's argument concerning the extent to which the applicant's evidence was challenged as part of the analysis of the evidence on the substantive appeal rather than as a preliminary issue, as the registered proprietor suggested).
- c. The Registrar erroneously determined that there had been trade during the period 1989 to 1997 and that the applicant's evidence overall lacked cogency.
- d. The Registrar should have held that the applicant, or its predecessors in title, had abandoned any goodwill associated with the SIMMONS mark for electronic drums and related equipment
- e. The Registrar should have held that there would be no misrepresentation and no damage.

**Section 3(6) grounds**

- a. The Registrar should not have relied on inference in a case involving bad faith.
- b. The Registrar should have held that the evidence was not sufficiently cogent to found a case of bad faith.
- c. Bad faith is such a serious point that it cannot be advanced as a secondary argument to another challenge.

**APPLICATION TO ADDUCE FURTHER EVIDENCE**

21. Shortly before the hearing, I was sent a letter by the registered proprietor's agents making an application to adduce further evidence, namely the statutory accounts of the applicant for the years ending 1998 to 2009. There was no witness statement exhibiting them although the registered proprietor undertook to make such a statement, if they were admitted. It is convenient to deal with this application at the outset.

**Principles**

22. In *EI Du Pont De Nemours & Company v S.T. Dupont* [2003] EWCA Civ 1368, [2004] FSR 15, [2006] 1 WLR 2793, the Court of Appeal said (per May LJ) at [103]:

Pumfrey J in my view correctly summarised the position in paragraph 57 of his judgment [in *Wunderkind Trade Mark* [2002] R.P.C. 45], where he said:

There is no doubt that in a trade mark appeal other factors outside the *Ladd v. Marshall* criteria may well be relevant. Thus in my judgment it is legitimate to take into account such factors as those enumerated by Laddie J in *Hunt-Wesson*, provided always that it is remembered that the factors set out in *Ladd v. Marshall* are basic to the exercise of the discretion to admit fresh evidence and that those factors have peculiar weight when considering whether or not the overriding objective is to be furthered.

104. This passage, in my view, properly recognises that the same principles apply in trade mark appeals as in any other appeal to which Part 52 applies; but that the nature of such appeals may give rise to particular application of those principles appropriate to the subject matter.

#### ***Ladd v. Marshall* requirements**

23. While recognizing that factors other than the *Ladd v. Marshall* [1954] 1 WLR 1489, [1954] 3 All ER 745, [1954] EWCA Civ 1 requirements for the evidence to be admitted on appeal may be relevant, the Court of Appeal in *Du Pont* held that these were basic. The registered proprietor in this case accepts that these are the primary criteria by which the application to admit fresh evidence should be judged.

24. The first *Ladd v Marshall* requirement is that the new evidence could not have been obtained with reasonable diligence for use at first instance. No attempt has been made to show by evidence that this requirement is satisfied in relation to the material sought to be adduced. It is in my judgment plain that had the registered proprietor wished to take any point on these accounts, it could have got hold of them sooner. This requirement is not satisfied.

25. The second requirement is that the new evidence would probably have an important influence on the result of the case. This requirement is also not satisfied. The accounts show that the turnover had dropped to zero for the accounting year 2000 and that there was no business thereafter. Although that may cast some doubt on the Hearing Officer's finding that trading continued "to date" since the applicant company was dormant from 2002 onwards, the Decision

does not rely on trade to date but on earlier trade. This material is therefore of marginal importance. If anything, it provides an element of further support for the applicant's case that it engaged in trade in the goods in question, even beyond 1997. The fact that the company was dormant is equally consistent with an intention to revive the business as and when conditions improved as with an intention never to trade in the field again. It is therefore, at best, of very slight relevance to the passing off case and would have no impact on the outcome. None of this material could undermine the applicant's case on bad faith, and it is not suggested that it played any role in the thinking of the registered proprietor in deciding to adopt the SIMMONS mark. Again, if anything, it marginally supports the applicant's case (and the Hearing Officer's conclusion) that there was no excuse for failing to contact the applicant to determine what the position was with the SIMMONS mark, since the company which had been trading using it had clearly not been wound up.

26. This is sufficient to render this material inadmissible. There are no other special reasons why this evidence should be admitted, even applying the more generous criteria of *DuPont*. I therefore reject the application to admit further evidence and turn to the substance of the appeal.

#### **APPROACH TO APPEAL**

27. This appeal is a review of the Hearing Officer's Decision. Robert Walker LJ (as he then was) said of such appeals:

...an appellate court should in my view show a real reluctance, but not the very highest degree of reluctance to interfere in the absence of a distinct and material error of principle (*Reef Trade Mark* [2003] RPC 5 at [28]; see also *BUD Trade Mark* [2003] RPC 25).

#### **SECTION 5(4)(a)**

28. Section 5(4)(a) of the Act provides:

A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented -

(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade...



29. The Hearing Officer referred to and applied the guidance given by the Appointed Person, Mr Geoffrey Hobbs QC, in *WILD CHILD* [1998] RPC 455. No criticism is made of his account of the law.

**The criticisms of the Decision on s. 5(4)(a)**

**(a) Title**

30. First, it is said by the registered proprietor that the Hearing Officer erred in holding that the applicant had acquired title to the intellectual property rights upon which it relies to found its claim.

31. The main focus of criticism is that the alleged buy back of intellectual property rights by Simmons Digital Music Limited from Carlton Communications plc to whom the original Simmons Electronics Limited company was sold was inadequately proven. The registered proprietor rightly observes that the documentary record is incomplete.

32. Subsequent to that buy back the relevant rights are alleged to have devolved from Simmons Digital Music Limited to Soundunit Limited (the applicant). Simmons Digital Music Limited was liquidated in May 1989. The contemporary documents from the liquidation to which the Hearing Officer referred show that Carlton Communications plc retained a charge over that company in relation to the intellectual property and were owed £1000 realised by the sale of that intellectual property including the trade marks.

33. Mr Simmons' evidence was that the rights were purchased by Simmons Digital Music Limited from Carlton Communications plc. If that had not been done, it is implausible that the liquidation documents and the charge would have provided as they did in 1989. His evidence is, at least to some extent, supported by the contemporary documents (see Exhibits DS26 and DS27). Although the Hearing Officer was justified in saying that the paper trail was not as straightforward or extensive as it might have been, Mr Simmons' account is credible because it appears that Carlton Communications plc was intending the applicant's predecessor in title to take over the goodwill relating to the SIMMONS mark.

34. In my view the Hearing Officer cannot be criticized for concluding that the applicant's evidence provided, as he said at paragraph [30] of the Decision, a "cogent narrative" and for accepting this evidence.

35. Moreover, even were the criticism of the chain of title sound, it would not affect the Hearing Officer's finding at paragraph [33] of the Decision that the applicant's trading for 8 years between 1989 and 1997 alone would still have provided the applicant with goodwill in drum kits and accessories which would have remained at September 2006.

**(b) Whether evidence was unchallenged**

36. Second, the registered proprietor criticizes the Hearing Officer for saying that the evidence of the applicant, particularly as to the chain of title and as to its trading was unchallenged. In particular, the registered proprietor submits that, because the allegations concerning the chain of titled were denied in the counterstatement and that counterstatement was said, in the covering form to be true by the firm of agents representing the registered proprietor, that the Hearing Officer should have treated the evidence as properly challenged. It is therefore said that the Hearing Officer erred in principle in proceeding on the basis that it had not been.

37. The registered proprietor is right, that, by Rule 64 of the Trade Marks Rules 2008, in any proceedings under the Act, evidence may be given, inter alia, "in any other form which would be admissible as evidence in proceedings before the court". Before the High Court a pleading verified by a statement of truth may be admitted as evidence (see CPR Rule 32).

38. However, Rule 64(3) provides

The general rule is that evidence at hearings is to be by witness statement unless the registrar or any enactment requires otherwise.

39. The applicant, in this case provided a cogent narrative concerning chain of title and its trading which was not addressed by the registered proprietor in evidence in a witness statement. Moreover, although perhaps formally admissible as evidence in accordance with Rule 64, the counterstatement was, in my judgment, of no value to rebut the case made by the applicant for three main reasons. First, it was not made by those with any knowledge of the matters in issue. The counterstatement (or rather the form) was verified by the registered proprietor's trade mark

agents collectively who do not purport to have any knowledge of the matters with which they deal. Second, the counterstatement did not make any positive case as to why the statements made in the applicant's statement of case were wrong. They were bare denials or non-admissions. Third, the counterstatement was not responsive to the applicant's evidence, still less in the usual way (namely by witness statement made by an individual with relevant direct or indirect knowledge). I am unpersuaded that a pleading, verified only by the firm signature of agents acting for a party, is likely to be regarded as having any serious evidential value.

40. For these reasons, while the Hearing Officer might have been justified in qualifying his remarks by saying that the evidence had only been challenged by way of pleading and not by way of responsive evidence, he was fully entitled to treat the counterstatement as making no real difference in the evaluation of the evidence served by the applicant.

41. In this case, whether the evidence was formally challenged or precisely how that was done is not the real issue. In general, even where evidence is formally challenged the decision maker may accept it, just as he or she may reject it even if it is not challenged but is, for example, incredible (see *EXTREME TM* [2008] RPC 2). A decision maker is always entitled to take account of the nature of any challenge and its cogency. The fact that the decision maker may have the power to admit as evidence a pleading verified by a statement of truth does not mean that he or she is bound or even entitled to treat such a pleading as constituting an effective challenge to later evidence from the other side dealing with the same subject matter, in circumstances where no responsive witness statement evidence dealing with that issue has been served by the person relying on that pleading.

42. In this case, the registered proprietor additionally had the opportunity to request cross-examination of the applicant on its evidence or to serve positive evidence to cast doubt on the applicant's account. It did neither. In those circumstances, the Hearing Officer was entitled to accept the evidence of the applicant.

**(c) The applicant's trade between 1989 and 1997**

43. Third, the registered proprietor criticizes the cogency of the applicant's evidence of trade and the generation of goodwill between 1989 and 1997.

44. This evidence was supported by statutory accounts filed for the applicant. No serious doubt has been cast on these by the registered proprietor. The registered proprietor suggests that there is something odd in the fact that when the applicant commenced trade in 1989, it achieved healthy sales figures. That is not surprising given the history. I am also unable to accept the argument that there is anything so puzzling about the trading history, the division of sales over the years or the stock/purchase figures as to cast doubt on Mr Simmons' evidence that there was significant and substantial trade during this period.

45. I am equally unpersuaded that Wikipedia, to which the registered proprietor refers as suggesting an earlier date for trade ceasing than 1997, is a more reliable source of information about the precise date upon which the applicant's turnover fell to zero than the evidence from the main moving force of the applicant, Mr Simmons, and the contemporary accounts.

46. In my judgment, the Hearing Officer was entitled to accept the evidence. This is not a case in which the level of trade was very small thereby giving rise to a need for particularly careful scrutiny as to whether it amounted to sufficient to generate goodwill. Trade does not invariably need to be substantial to found a case of passing off and can readily be built up with sales of the order shown here, particularly if sustained over a period: see, for a recent example, *Fayus Inc & Anor v Flying Trade Group Plc* [2012] EWPC 43 (20 September 2012) where the Patents County Court expressed the preliminary view that there was "really no defence" to a case of passing off where the defendant was using the same name on the same sorts of goods as the claimant, in circumstances where the sales in one previous year had been between £100 - 200,000.

47. Moreover, it is significant that at no point in Mr Angress' evidence, does he take issue with the fact that the applicant had built up goodwill by trading during 1989-1997. Indeed Guitar Center Inc.'s conduct is consistent with their belief that goodwill still attached to the SIMMONS mark in 2006 when they decided to adopt it which itself reinforces the evidence from the applicant that the earlier trade was significant.

**(d) Abandonment**

48. Fourth, in paragraph [33], having considered the law relating to abandonment of goodwill and the evidence relating to this matter, the Hearing Officer said:

The years of use between 1989 and 1997 alone would have still provided the applicant with goodwill in drum kits and accessories which would have remained as at September 2006 as a residual goodwill especially given the continuing service of maintaining existing drum kits and providing parts to others, which is carried out to this day. If I were to accept that the applicant owned the goodwill accrued by its predecessors in business, which I do, then this view would simply be strengthened.

49. The registered proprietor submits that the Hearing Officer was wrong to find that, by 2006, the applicant had not abandoned its goodwill. In particular, the registered proprietor criticizes the Hearing Officer for having found that the goodwill had not been abandoned, even though the applicant had not provided evidence of any settled intention to trade in the mark in the future as at September 2006. It contends that this amounted to a failure to apply the law correctly. It is also said that the Hearing Officer wrongly conflated the issue of establishment of goodwill with the issue of abandonment.

#### **Law**

50. The Hearing Officer referred to the law on abandonment of goodwill as summarized in the headnote to *Sutherland v. V2 Music Ltd* [2002] EMLR 28. The registered proprietor accepted that this was correct. In that case, Laddie J referred to *Star Industrial Co.Ltd v.Yap Kwee Kor* [1976] FSR 256, and said at [12] that if a party abandons a business and the goodwill associated with it, he cannot subsequently sue to protect that goodwill but he also observed that a passage of *Star* suggested that there might be a different result if there was no abandonment. He emphasized the need to consider what was happening to the goodwill and said at [15] and [17]:

Goodwill is an asset of a business. It can be very valuable. It attracts customers. It can facilitate finding more business. It can be bought and sold. It can be damaged. It is because the action for passing off is intended to protect goodwill that it is not restricted to cases where the claimant can show that the defendant's activities have deceived customers into purchasing his goods or services in substitution for the claimants' ....

...

As long as a claimant has not chosen to abandon his goodwill, it remains as an asset protectable from damage by passing off proceedings.

51. More recently, in *Maslyukov v Diageo Distilling Ltd & Anor* [2010] EWHC 443 (Ch); [2010] RPC 21, Arnold J summarized the law in similar terms:

...the test is whether the relevant business has been abandoned so as to destroy the goodwill. Mere cessation of business is not enough. Moreover, as *Mary Wilson* illustrates, cessation of production of goods or provision of services does not necessarily mean that there has been a cessation of business capable of sustaining goodwill, still less a destruction of the existing goodwill.

52. In *Minimax GmbH & Co Kg v Chubb Fire Ltd* [2008] EWHC 1960 (Pat), Floyd J referred to *Sutherland* and drew attention to the difficulties in defining the minimum threshold of residual goodwill. He said at [15]:

It is difficult to define any minimum threshold. It will all depend on the facts. How big was the reputation when use stopped? How lasting in the public eye are the goods or services to which the mark is applied? How, if at all, has the person asserting the existence of the goodwill acted in order to keep the reputation in the public eye? The greater each of these elements is, the longer, it seems to me, it will take for any goodwill to dissipate.

53. In *Minimax*, Floyd J reversed the decision of the hearing officer, holding that the evidence only established that the earlier mark had been in the public eye until the 1980s at the most and that there was only evidence of trivial use thereafter which was insufficient to found a passing off case at the relevant date in 2003. *Minimax* was almost certainly in the Hearing Officer's mind in this case, since it was referred to it in both sides' skeleton arguments before him.

54. The Hearing Officer also referred to *The Law of Passing-Off* (3rd edn.) by Christopher Wadlow at paragraph 3-178. This says that if a business is deliberately abandoned in circumstances which are inconsistent with its ever being recommenced then the goodwill in it is destroyed unless contemporaneously assigned to a new owner. The passage continues:

Otherwise, the goodwill in a discontinued business may continue to exist and be capable of being protected, provided the claimant intended and still intends that his former business should resume active trading. It is not necessary that the prospect should be imminent, but the mere possibility of resumption if circumstances should ever change in the claimant's favour is not enough. The claimant's intention to resume business may the more readily be believed where the original cessation was forced on him by external circumstances, but this factor is not conclusive either way.

55. Kerly's *Law of Trade Marks and Trade Names*, 15<sup>th</sup> edn, summarises the principles relating to extinction and abandonment of goodwill at paragraph 18-060 as follows (omitting footnotes):

If a business ceases or suspends trading temporarily, there remains a residual goodwill which the claimant might wish to sell or use in a reopened business. If, once the business is definitively abandoned, however, so that the claimant no longer owns goodwill, there can be no passing off. Where no positive decision is made to abandon goodwill but trade under the mark has nonetheless ceased with no concrete plans for restarting operations, the question of whether any goodwill survives, and for how long, is a question of fact in each case.

56. That extract from Kerly's neatly encapsulates the current law. It is marginally preferable to the formulation in Wadlow, because it is not necessary for goodwill to survive that the undertaking possessed of it have concrete plans for restarting operations. That said, the longer the business is left un-resumed, the more likely that the goodwill will dwindle to such an extent that it cannot found an action for passing off.

57. It is common sense that the greater the reputation originally established, the greater are the chances that a sufficient residual goodwill still existed at the relevant date: see *Knight v Beyond Properties Pty Ltd & Ors* [2007] EWHC 1251 (Ch) (24 May 2007) at [28]. That shows that the issues of abandonment and establishment of goodwill cannot always be separated. Equally, in my judgment, the extent to which the mark was kept in the public eye prior to the relevant date, for example, through the second hand market, servicing and parts, and a significant enthusiast following (as it was here), may in appropriate cases, be relevant to the overall evaluation of whether sufficient goodwill survived at that date.

#### **The Hearing Officer's evaluation**

58. There was no definitive abandonment of the business: such was expressly denied by Mr Simmons, whose evidence is consistent with the continued existence of the applicant company, albeit in a state of dormancy between 2002 and the relevant date (see above and see *Maslyukov v. Diageo*). The Hearing Officer was entitled to conclude that the lapse of the US trade mark in 1994 did not constitute an act of abandonment of the goodwill associated with the SIMMONS mark. It was therefore appropriate in this case for the Hearing Officer to make an overall evaluation of the kind undertaken in *Sutherland* as to whether sufficient (if any) goodwill remained in September 2006 to found a notional passing off case.

59. The Hearing Officer's conclusions on this matter are consistent with the evidence of the third parties as to the continued reputation in the mark. They are also consistent with the conduct of the registered proprietor in appropriating the mark for its own business and the evidence (as to which see further below) that this was done to take advantage of the goodwill which continued to attach to the SIMMONS mark in 2006. The Hearing Officer was entitled to take account of the fact that there was trade in servicing and spare parts reinforced his conclusion. He was also entitled to regard his view as reinforced by the fact that the applicant had acquired the earlier goodwill in the SIMMONS mark of the predecessors in business. His findings are also consistent with the fact that the value of the brand was still recognized in 2006 (and today) in the view of a number of those in the trade. For example, Mr Glyn Thomas, a previous distributor of SIMMONS electronic drum kits in the US says in a statement exhibited to the applicant's evidence that the SIMMONS brand had a very high profile in the US and is still today recognized as belonging to the original electronic drum kit and subsequent developments of it. He expresses the view that Guitar Center Inc. would certainly have been aware of the brand's history, reputation and value when they decided to use the name SIMMONS on their drum kits.

60. Finally, it was said on behalf of the registered proprietor that by September 2006, all that remained was bare repute in the SIMMONS mark. I do not agree. In this case, there had been actual trade in goods over a significant period generating actual goodwill. The authorities are clear that mere cessation of trade does not without more convert valuable goodwill into valueless bare repute. The real question, which the Hearing Officer correctly addressed, was whether sufficient goodwill remained at the relevant date.

61. For these reasons, the Hearing Officer had ample evidence upon which to reach the conclusion he did on the question of abandonment and there is no basis for disturbing it.

**(e) Misrepresentation and damage**

62. Fifth, the Hearing Officer said at paragraph [34] of the Decision:

Given that the registered mark is identical to that used by the applicant and the goods are identical or very similar, there would be misrepresentation.

63. Having reached that conclusion and having considered the relevant law (Lord Fraser in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1980] RPC 31 HL – the opponent must show



that “he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill”), the Hearing Officer held that it was obvious that in the instant case the applicant would suffer damage as a result of use of the identical trade mark on identical goods.

64. The registered proprietor criticizes the Hearing Officer’s conclusion that there would be a misrepresentation on the basis that there was insufficient evidence to found it. It is said that there was no actual evidence of confusion and the market was such that confusion was unlikely, given the specialist nature of the goods. Reference is made to *GE Trade Mark* [1973] RPC 297 and the requirement for specific evidence in specialist markets.

65. I am unable to accept that argument. This is a case in which the marks are identical and the goods for which they are proposed to be used are identical. The goods in question, electronic drum kits, cannot be described as inherently specialist goods (unlike the goods in *GE*). Although such instruments may be used by professional musicians, there is nothing to suggest that electronic drum kits are not also sold for use by, for example, teenage children, as are many other kinds of electronic instruments. Nor is there anything to suggest that they are necessarily particularly expensive: to the contrary, there is some evidence that the registered proprietor is using the SIMMONS mark on entry-level drum kits. There was also evidence from those in the trade, albeit not very specific, of significant confusion (see statements of Jesper Odermark, Hansjuergen Sibert, Barry Watts MBE, Andrew Dwyer, Francis Seriau, John Morgan, Keith Holden, Alexander Bhinder, Colin Schofield and Patrice Jacqot).

66. It was not seriously in dispute by the end of the hearing that if the other aspects of the Decision stood on the question of passing off, his conclusion that damage would flow was justified. That must be correct, and is realistic in this case, since there is a suggestion in the evidence that the quality of the goods sold by the registered proprietor under the SIMMONS mark may not be the same as those previously sold by the applicant.

67. The Hearing Officer was amply entitled to reach the conclusions he did on passing off.

**Conclusion on s. 5(4)(a)**

68. None of the grounds of appeal in respect of s.5(4)(a) is well founded.

**SECTION 3(6)**

69. Section 3(6) of the Act provides that a trade mark shall not be registered,

...if or to the extent that the application is made in bad faith.

70. In *Chocoladefabriken Lindt & Sprungli (Intellectual property)* [2009] EUECJ C-529/07; [2009] ETMR 56, [2010] Bus LR 443, the CJEU said at [37]:

Whether the applicant is acting in bad faith, within the meaning of Article 51(1)(b) of Regulation No 40/94, must be the subject of an overall assessment, taking into account all the factors relevant to the particular case.

71. The court went on to say at [46]:

Equally, the fact a third party has long used a sign for an identical or similar product capable of being confused with the mark applied for and that that sign enjoys some degree of legal protection is one of the factors relevant to the determination of whether the applicant was acting in bad faith.

72. The court summarized its conclusions at [53] as follows:

Having regard to all of the foregoing, the answer to the questions referred is that, in order to determine whether the applicant is acting in bad faith within the meaning of Article 51(1)(b) of Regulation No 40/94, the national court must take into consideration all the relevant factors specific to the particular case which pertained at the time of filing the application for registration of the sign as a Community trade mark, in particular:

the fact that the applicant knows or must know that a third party is using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought;

the applicant's intention to prevent that third party from continuing to use such a sign; and

the degree of legal protection enjoyed by the third party's sign and by the sign for which registration is sought.

73. That approach, which requires the tribunal to make an assessment of the conduct of the applicant for registration, based on all relevant factors, but not to require proof of actual dishonesty, accords with the approach of the English court in *Ian Adam* O/094/11 (Geoffrey Hobbs QC, Appointed Person) and *Gromax Plasticulture Ltd. V. Don & Low Nonwovens Ltd*

[1989] RPC 367 at 379 (“some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined”) to which the Hearing Officer referred. In *Ian Adam*, the Appointed Person said at [33]:

The line which separates legitimate self-interest from bad faith can only be crossed if the applicant has sought to acquire rights of control over the use of the sign graphically represented in his application for registration in an improper manner or for an improper purpose.

74. In *Masyukov v. Diageo Distilling Ltd* [2010] EWHC 443 (Ch) [2010] RPC 21 at [43], Arnold J rejected the appellant’s contention that it was not sufficient for a finding of bad faith in that case to show that the appellant had taken the mark in question with an intention to appropriate the goodwill of the earlier right holder. That case was somewhat different to the current one in that the earlier mark holder continued to trade in products of the kind in question. Nonetheless, the finding of bad faith did not turn on that point. Arnold J held that the finding that the applicant for registration’s intention was to appropriate that goodwill was one which the hearing officer was entitled to make on the evidence and that the applicant had accordingly acted in a manner which fell short of the standards of acceptable commercial behavior.

### **The Hearing Officer’s findings**

75. The Hearing Officer referred to the relevant principles and held as follows:

40) The issue must be determined on the balance of probabilities. On the basis of these authorities it is clear that a finding of bad faith may be made in circumstances which do not involve actual dishonesty. Furthermore, it is not necessary for me to reach a view on the registered proprietor’s state of mind regarding the application for registration if I am satisfied that its actions in applying for the mark in the light of all the surrounding circumstances would have been considered contrary to normally accepted standards of honest conduct.

41) In the instant case the registered proprietor was well aware of the activities of the various companies up until 1997, not least because they actively traded with a number of them. The only reason for the registered proprietor registering the mark in suit was to benefit from the reputation that the mark enjoyed. The registered proprietor states that it believed that the mark had been abandoned. However, this belief seems to have been predicated upon the relinquishing of two US Trade Mark registrations and the absence of new drums being offered in the market under the mark in suit. They have not stated that they did any investigative work to ascertain whether the mark was still being used. Nor

did they seek out Mr Simmons, whose name they were registering and who had been the controlling mind in all the companies that had used the mark, except one, since its inception. I find that the mark was applied for in bad faith, and so the invalidity action under Section 3(6) also succeeds.

**The criticisms of the Decision on s. 3(6)**

**(a) Inference**

76. The registered proprietor, first, criticizes the Hearing Officer for having based his conclusions on inference. In my judgment, he was entitled to do so. It is rare in a case of bad faith for the applicant for registration to admit that its conduct was inappropriate or even to admit that it intended to appropriate the goodwill of another. In this area, firmly grounded inferences may and, in some cases, must be drawn (see *Ian Adam*).

77. Mr Simmons' pleadings stated that the registered proprietor "applied for the SIMMONS trade mark with the intention of taking advantage of the reputation and goodwill which belonged to Soundunit Limited in relation to electronic drum kits and all of the equipment and accessories for drum kits sold under the Applicant company's SIMMONS brand". In the registered proprietor's counterstatement, dated 1 July 2010, that allegation was denied and the registered proprietor put the applicant to proof of that intention. Mr Simmons' Witness Statement dated 18 October 2010 stated that Guitar Center Inc. was "seeking to take advantage of the reputation and goodwill earned by SIMMONS, UK over the years and which still exists to this date." The evidence drew attention to the potential for confusion and concluded with a rhetorical question:

If the name SIMMONS was not of huge commercial valuable [sic] in this field, why would a company called Guitar Center, Inc in the US, launch an electronic drum kit called SIMMONS, adopting my surname, reputation and goodwill in relation to these specific products.

78. This evidence is supported by the view of some in the trade. For example, Mr Bob Henrit, a professional drummer, says "The only reason Guitar Center are badging a six sided electronic drum kit with the original Simmons logo is to take advantage of the reputation for quality and innovation that is still associated with the original equipment". That is also the view of the Managing Director of Drumtech, Dr Francis Seriau ("deliberate...so as to trade off the reputation of the original Simmons company") and Mr John Morgan ("to trade on the reputation of the Simmons drums...").

79. As noted above, there is evidence that Guitar Center Inc. had adopted other indicia associated in the public mind with SIMMONS drum kits including the distinctive hexagonal shape and the form of model numbering.

80. The registered proprietor's evidence did not address the question of intention to appropriate the surname, reputation and goodwill attaching to the SIMMONS products. Indeed, the evidence of Mr Angress did not deny, still less seek to establish that in 2006, the SIMMONS name did not enjoy any reputation or goodwill any more. It did not suggest that Guitar Center Inc. was unaware of the previous trade under the SIMMONS mark. It did not deny (despite the previous denial in the counterstatement) that Guitar Center Inc.'s intention was to take advantage of the SIMMONS goodwill. The only explanation offered for the adoption of the name and the application made was that Guitar Center Inc. believed that neither Mr Simmons nor his company maintained any further ownership of the SIMMONS mark on the basis of the length of time since they had been trading. Mr Simmons' rhetorical question was therefore unanswered. There was no evidence on behalf of the registered proprietor from anyone in the music trade, or any other source, which answered the trade evidence of the applicant or suggested that its conduct was appropriate.

81. The evidence from the registered proprietor is, in my judgment, inadequate to cast doubt on the fact, which seems to me to be the only logical inference in the circumstances, that the mark was specifically adopted by Guitar Center Inc. to take advantage of the residual goodwill and reputation of the SIMMONS mark. It is therefore not right to say that the Hearing Officer's conclusions on this aspect of the case were insufficiently based on inference. There was a positive allegation that this was the intention, all the circumstances pointed to this being so and there was no serious attempt to rebut it.

82. Moreover, it is obvious that one purpose of trade mark registration is to prevent others from using the same mark for the goods in question. It was not in dispute that this registration would prevent Mr Simmons and his company from using his own name to trade in goods for which he continues to have an international reputation or at least, having regard to the provisions of s.11 of the Act, to make it more difficult for them to do so. This must have been understood by Guitar Center Inc. in applying for this mark, since it is self-evident.

**(b) Evidence insufficiently cogent to found bad faith**

83. Second, it was submitted on behalf of the registered proprietor that the evidence, taken as a whole, was insufficient to found a case of bad faith. I am unable to accept that submission. Having regard to the multi-factorial assessment required by *Lindt* and *Ian Adam*, the Hearing Officer was amply entitled on the evidence before to reach the conclusion he did. Indeed, on the evidence, it is hard to see how any other conclusion would have been open to him. The registered proprietor's case comes nowhere near the standard required for reversal of a finding of this kind on appeal.

84. Moreover, there are additional factors which support the Hearing Officer's finding of bad faith. This is not a situation in which a trader has adopted another undertaking's invented mark. The evidence shows that the registered proprietor adopted a living individual's own name with the object of riding on the coat tails of the reputation which he and his business established. It is of some relevance to assessing whether the conduct falls short of the relevant standards that EU and English trade mark law have long been particularly protective of the rights of an individual to use of his or her own name and that under EU and English trade mark law it is, in appropriate circumstances, not merely reprehensible, but actionable, to ride on the coat tails of the reputation of others. The conclusion of bad faith is reinforced by the fact that, even before the *Lindt* case had articulated the principles at EU level, the English courts and the Boards of Appeal of OHIM approached matters in a similar way (see for example the discussion in *von Rossum v Heinrich Mack Nachf. GmbH & Co KG* (Case R336/207-2, 13 November 2007) Second Board of Appeal, referring at [23]-[24] to Case C-100/02 *Gerolsteiner Brunnen GmbH & Co. v Putsch GmbH* ('Gerri') [2004] ECR I-691, and stating that "there is bad faith when the CTM applicant intends through registration to lay its hands on the trade mark of a third party with whom it had contractual or pre-contractual relations, or, the Board adds, any kind of relation where good faith applies and imposes on the applicant the duty of fair play in relation to the legitimate interests and expectations of the other party"). The Hearing Officer's conclusion was therefore in line with the overall policy of trade mark law in England and the EU.

85. It was submitted on behalf of the registered proprietor before the Hearing Officer that the applicant's case of bad faith was "hopeless" and it was contended that the case was clearly on the

right side of the line that separates legitimate self-interest from bad faith (see *Ian Adam*). It is not. In my judgment, even if that line is drawn most generously to the registered proprietor, this application for registration plainly fell on the wrong side of it. In this connection, it is noteworthy that no-one from the music trade was prepared to come forward and say, in evidence, that the registered proprietor's conduct had been appropriate.

86. Finally, the Hearing Officer was right to take into account the fact that no attempt had been made to determine whether in fact Mr Simmons and his company maintained no further interest in the use of the mark.

**(c) Bad faith as an independent argument**

87. Finally, it is said that the Hearing Officer was wrong to consider the bad faith point as a subsidiary argument. There is no substance in that point. The grounds of attack are independent: there are circumstances in which a bad faith point will succeed where a passing off attack will fail, and vice versa. In this case, both grounds of challenge are made out.

**Conclusion on s. 3(6)**

88. None of the grounds of appeal in respect of s.3(6) is well founded.

**OVERALL CONCLUSION**

89. The Hearing Officer made sensible findings of fact and applied the correct law to them. The conclusion he reached was reasonable in all the circumstances. This appeal will be dismissed.

**COSTS**

90. Neither side suggested that this case merited any special order as to costs of this appeal. The Hearing Officer awarded the applicant a total of £3000 in respect of costs, including £1200 in respect of preparing for and attending the hearing.

91. In all the circumstances, a sum of that order is also appropriate in respect of the hearing before me but somewhat uplifted to take account of the fact that the hearing involved an unsuccessful application on behalf of the registered proprietor to adduce further evidence, which

would have required consideration by the applicant, and because over 30 authorities were cited on behalf of the registered proprietor which, again, would have increased the applicant's costs of the hearing.

92. I therefore award the applicant an additional £1500 in respect of this hearing, making a total of £4500 in costs to be paid within 7 days of this Decision.

DANIEL ALEXANDER QC

APPOINTED PERSON

26th November 2012

Representation:

Tim Ludbrook instructed by A J Thornton for the registered proprietor.

Amanda Michaels instructed by Loven for the applicant.