

O/039/21

In the matter of UK Trade Mark Application No.3246839 to register a device mark for a range of goods and services in classes 25 and 28 by Richard Balding (RB - the Applicant)

and

Opposition thereto No. 410773 by Hasu No Hana Limited (HNN - the Opponent)

and

In the matter of UK Trade Mark Applications Nos.3271401 & 3271045 to register first, the word mark NINEPLUS, and second, a device mark for goods in classes 25 and 28 by Hasu No Hana Limited

and

Oppositions thereto under Nos. 411868 & 411870 by Richard Balding

In the matter of an Appeal to the Appointed Person by the Opponent HNN against the Decision of the Hearing Officer O-198-20 for the Registrar, The Comptroller General dated 30th March 2020

DECISION OF THE APPOINTED PERSON

Introduction

1. This is an appeal by Hasu No Hana Limited (which I shall refer to as HNN) against the decision of the Hearing Officer Ms Heather Harrison, acting for the Registrar of Trade Marks, dated 30th March 2020 under reference number O-198-20.
2. The Hearing Officer determined the outcome of various cross-oppositions between HNN and Mr Richard Balding (whom I shall refer to as RB or Richard). The unfortunate feature of this dispute is that HNN is the company of Dr Peter Balding who is Richard's father. For many years, RB has run his own surf business which over the years has involved making and selling surf boards, fins, wetsuits, surf clothing and associated products under his 'nineplus' brand. As will appear, in 2008, RB's father stepped in to help when the business encountered difficulties. The particular assistance was provided through HNN, which incurred the costs of

registering certain trade marks used in RB's 'nineplus' business, and which remains the registered proprietor of those trade marks.

The first opposition

3. The first opposition concerns UK TM Appln No. 3246839 ('839') for the device mark shown below for various goods in classes 25 and 28.



4. The Hearing Officer set out in full the specification of the goods applied for in an annexe to her Decision. Unlike many applications where the applicant simply sets out the widest terms which cover the whole or large parts of the relevant class, RB set out a rather eclectic range of very specific goods in each of classes 25 and 28:
 - a. In class 25, the goods start with 'Adhesive bras, and run through a series of terms in apparently alphabetical order until the list ends with 'Camouflage shirts'. However, in the middle of the specification, there are more general terms, including 'Articles of Clothing';
 - b. Similarly in class 28, the goods start with 'Abdomen protectors for athletic use' and run through to 'badminton racquets' but we find, for example, 'amusement apparatus adapted for use with television receivers only'.
5. This application was filed by RB on 28 July 2017. It was opposed by HNH on the basis of three prior registrations owned by HNH. These were all EUTMs as follows:
 - a. EU 6555742 ('742') for the word mark NINEPLUS;

- b. EU 6555775 ('775') which comprises a device mark, set out below, including a crab or flower like device with the words nineplus underneath in a black square:



- c. EU 6676308 ('308') which comprises a device mark where a device with stylised petals is shown above the words HASU NO HANA.



6. The UK's exit from the European Union has recently been completed with the expiry of the Implementation Period on 31 December 2020. Each of HNH's EUTMs now has effect in the UK as a comparable UK trade mark, such that HNH now owns UK registrations nos. UK00906555742, UK00906555775 and UK00906676308. However, this does not alter the basis of the oppositions which were decided by the Hearing Officer. She was obliged to decide the oppositions on the basis of the rights as they existed at the relevant filing dates for each application under opposition.
7. The grounds of the first opposition were under sections 5(1) and 5(2)(b) and so raised the issues of whether the pairs of marks in question were identical or similar, and whether the respective goods were identical or similar and whether, under s.5(2)(b) there existed a likelihood of confusion. HNH also alleged the application was made in bad faith, contrary to section 3(6) of the Act, on the basis of an

agreement made in 2008. The application is said to be in breach of that agreement, the terms of which are in dispute.

The second opposition

8. The second opposition concerned two applications by HNH:
 - a. The first is UK TM application 3271045 for the word mark NINEPLUS, filed on 16 November 2017 for goods in classes 25 and 28;
 - b. The second is UK TM application 3271401 filed on 17 November 2017 also for goods in classes 25 and 28, for a device mark which appears to be identical to the device mark registered as EUTM 775.
9. These two applications are opposed by RB under section 5(2)(b) on the basis of his earlier application which is the subject of the first opposition. Accordingly, the outcome of the first opposition had and has a direct impact on the second. In his oppositions, RB also relied on grounds under ss.5(3), 5(4)(a) passing off, 5(4)(b) copyright and section 3(6). It is not necessary for me to consider any of those other grounds because the Hearing Officer dismissed them for the reasons given in her Decision and RB has not filed any appeal.

The outcome of the cross-oppositions in outline

10. In the UK IPO, neither party requested a hearing, so the Hearing Officer decided all the oppositions on the basis of the evidence and submissions filed.
11. In the first opposition, the section 5(2)(b) ground was partially successful and the section 3(6) ground failed. Accordingly, RB's application was allowed in respect of a more limited range of goods, which the Hearing Officer set out in [134].
12. It was that range of goods which applied for the purposes of RB's oppositions to the applications made by HNH. Many of the findings made by the Hearing Officer in the first opposition (for example, in her comparison of marks) applied in RB's oppositions. The overall outcome of RB's oppositions was that they succeeded in part. In essence, his oppositions failed where the goods were dissimilar. Accordingly, the two HNH applications were allowed in respect of 'footwear,

headgear’ in class 25 and in class 28 ‘games, toys and playthings, gymnastics articles and equipment’.

13. HNH appeals, arguing that the first opposition should have succeeded in full, with the result that RB’s cross-oppositions should be rejected. On the appeal, RB represented himself. HNH was represented by Dr Balding assisted, at the hearing before me, with short interventions (which I permitted) from a trade mark attorney, Ms China-Rodriguez. Both sides filed skeleton arguments in advance of the hearing before me which took place remotely on 17 December 2020. Although there were one or two problems with Dr Balding’s internet connection, I am grateful to the shorthand writer’s skill in recording what Dr Balding said. Although neither Dr Balding nor RB are familiar with the specialised world of trade marks, they were both able to articulate their points and I am grateful for their submissions to assist me in deciding this Appeal.

Standard of Review

14. This appeal is by way of review of the Hearing Officer’s decision. Neither surprise at a Hearing Officer’s conclusion, nor a belief that he or she has reached the wrong decision suffices to justify interference in this sort of appeal. Before that is warranted, it is necessary for me to be satisfied that there was a distinct and material error of principle in the decision in question or that the Hearing Officer was wrong. The relevant principles were set out in *TT Education Ltd v Pie Corbett Consultancy* [2017] RPC 17 by Daniel Alexander QC sitting as the Appointed Person at [14]-[52] and his conclusions were approved by Arnold J in *Apple Inc v Arcadia Trading Limited* [2017] EWHC 440 (Ch). Mr Alexander QC said in particular that:

“... In the case of a multifactorial assessment or evaluation, the Appointed Person should 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. Special caution is required before overturning such decisions. In particular, where an Appointed Person has doubts as to whether the Registrar was right, he or she should consider with particular care whether the decision really was wrong or whether it is just not one which the appellate court would have made in a situation where reasonable people may differ as to the outcome of such a multifactorial evaluation (*REEF, BUD, Fine & Country* and others).”

15. Subsequently, the Supreme Court in *Actavis Group PTC v. ICOS Corporation* [2019] UKSC 1671 dealt with the role of the appellate court at [78] to [81]. Lord Hodge said:

“78. ... Where inferences from findings of primary fact involve an evaluation of numerous factors, the appropriateness of an intervention by an appellate court will depend on variables including the nature of the evaluation, the standing and experience of the fact-finding judge or tribunal, and the extent to which the judge or tribunal had to assess oral evidence: *South Cone Inc v Bessant*, *In re Reef Trade Mark* [2002] EWCA Civ 763; [2003] RPC 5, paras 25-28 per Robert Walker LJ.

...

80. What is a question of principle in this context? An error of principle is not confined to an error as to the law but extends to certain types of error in the application of a legal standard to the facts in an evaluation of those facts. What is the nature of such an evaluative error? In this case we are not concerned with any challenge to the trial judge’s conclusions of primary fact but with the correctness of the judge’s evaluation of the facts which he has found, in which he weighs a number of different factors against each other. This evaluative process is often a matter of degree upon which different judges can legitimately differ and an appellate court ought not to interfere unless it is satisfied that the judge’s conclusion is outside the bounds within which reasonable disagreement is possible. ...

81. Thus, in the absence of a legal error by the trial judge, which might be asking the wrong question, failing to take account of relevant matters, or taking into account irrelevant matters, the Court of Appeal would be justified in differing from a trial judge’s assessment of obviousness if the appellate court were to reach the view that the judge’s conclusion was outside the bounds within which reasonable disagreement is possible. It must be satisfied that the trial judge was wrong ...”

16. There is also useful additional guidance from Mr Iain Purvis QC sitting as the Appointed Person in *Rochester* BL O/049/17 at [33]:

“... the reluctance of the Appointed Person to interfere with a decision of a Hearing Officer on likelihood of confusion is quite high for at least the following reasons:

(i) The decision involves the consideration of a large number of factors, whose relative weight is not laid down by law but is a matter of judgment for the tribunal on the particular facts of each case

(ii) The legal test ‘likely to cause confusion amongst the average consumer’ is inherently imprecise, not least because the average consumer is not a real person.

(iii) The Hearing Officer is an experienced and well-trained tribunal, who deals with far more cases on a day-to-day basis than the Appellate tribunal.

(iv) The legal test involves a prediction as to how the public might react to the presence of two trade marks in ordinary use in trade. Any wise person who has practised in this field will have come to recognize that it is often very difficult to make such a prediction with confidence. ... Any sensible Appellate tribunal will therefore apply a healthy degree of self-doubt to its own opinion on the result of the legal test in any particular case.”

17. I have kept these principles in mind on this appeal.

The Appeal

18. The Notice of Appeal was in an unconventional form in that Dr Balding commented seriatim on each of the 187 paragraphs in the Decision, albeit that against many paragraphs the text read simply ‘HNH has no further comment to make’. Nonetheless, his document communicated all his criticisms very clearly, and they were developed further in his skeleton argument.

19. I have considered all Dr Balding’s points carefully and I summarise his criticisms into the following categories. I list them in the order in which I will deal with them later – they are not listed in any order of importance or significance.

- a. HNH alleges that the Hearing Officer ignored some evidence of use provided in RB02.
- b. HNH seeks to justify its inability to provide evidence of use on the basis that RB had an exclusive licence to use the marks, but it was not in RB’s interests to provide evidence of use.
- c. HNH alleges that clothing is complementary to footwear and headwear. This is a criticism of the Hearing Officer’s comparison of goods.
- d. HNH raises a series of points which are all directed at the comparison of the various marks in issue.

- e. HNH makes a series of criticisms directed at the Hearing Officer's rejection of its bad faith allegation, some of which concern the terms of the alleged agreement between HNH and RB.

The Decision of the Hearing Officer

20. The decision of the hearing officer is structured in a familiar and logical manner. She started by setting out the details of the oppositions and the procedural history, indicating she is going to consider HNH's opposition first. In the next section (§§20-41), the Hearing Officer summarised the evidence filed by the two sides.
21. Since all three of the marks relied upon by HNH in support of its opposition had been on the register for more than 5 years prior to the date of RB's application, they were subject to the use conditions. The Hearing Officer considered the scope of RB's request for proof of use, and the evidence, and concluded that no genuine use had been shown in respect of the goods for which evidence of use was sought. The result was that HNH could only rely on its earlier marks in respect of the following goods: in class 25: footwear and headgear, and in class 28: Games and playthings, gymnastic articles.
22. Having stated what the Hearing Officer decided, I must deal with the first two criticisms made by HNH mentioned above. The first is that the Hearing Officer ignored evidence of use in RB02. Having reviewed that exhibit and the relevant paragraphs of the Hearing Officer's assessment of whether genuine use had been demonstrated in [51]-[53], it is clear to me that this criticism is based on a misapprehension, namely that if a particular product appears in RB02 that automatically proves genuine use. However, the Hearing Officer summarised RB02 in [36]-[37], to my view accurately, and the reason for her finding that no genuine use had been shown was because of the lack of any evidence at all of either actual sales or turnover in the relevant period, together with the lack of any indication of how much of the advertising spend of £500,000 over 22 years took place in the relevant period. So the reason for the finding of no genuine use was the paucity or lack of proper evidence.
23. This leads to the second point where HNH seeks to blame RB for the lack of evidence. This, however, is not a valid criticism of the Hearing Officer's decision.

She was obliged to reach a determination on the evidence which was before her and that is what she did.

24. I will add this. There are many decisions on genuine use where even professionally represented litigants fail to put forward the best evidence available of the use which has been made of a trade mark. As far as I am aware, RB has represented himself throughout this dispute, although I suspect that, in the usual way, he had some assistance from the UK IPO in formulating his oppositions. In my view, to criticise him for not putting up better evidence of the use which had been made of the various 'nineplus' marks in his business is unfair. There is a suggestion from HNH that RB did this deliberately, but I regard this suggestion as unreal. After all, RB had his oppositions to the HNH applications, including a s.5(4)(a) ground, in respect of which he seems to have appreciated that it depended on him providing evidence of the use which had been made of 'nineplus' over the years.
25. The Hearing Officer dismissed the section 5(1) ground of opposition on the correct basis that none of the marks were identical, and I understand HNH makes no criticism of that part of her decision. The Hearing Officer turned then to consider the ground of opposition under s.5(2)(b) which required a lengthy analysis in [60]-[95] of which goods in the specification applied for were identical, similar or not similar to the goods which I have just mentioned.

The Comparison of the Goods

26. At the start of this section of her decision, the Hearing Officer instructed herself entirely appropriately as to the relevant legal principles.
27. Her analysis of the degree (if any) of the similarity of the respective goods was at an appropriately granular level, in view of the specification of goods applied for.
28. This leads me to the ground of appeal raised by HNH which I must logically consider at this point. As one of its grounds of appeal HNH asserts that 'clothing' is complementary to footwear and headgear, the implication being that the hearing officer was in error in allowing registration for any items of clothing.
29. This criticism appears to me to proceed on the basis of a misunderstanding of 'complementarity' in the specific context of the comparison of goods or services in

the law of trade marks. In this context, it has a rather specialised meaning. The Hearing Officer cited the decision of the General Court in *Boston Scientific Ltd v OHIM* Case T-325/06 where it said that complementary means:

“.... there is a close connection between them, in the sense that one is indispensable or important for the use of the other in such a way that customers may think that the responsibility for those goods lies with the same undertaking.”

30. Whilst of course there are some large brands who make both clothing and footwear and headgear, this does not mean those goods are complementary in the specialised sense used in the law of trade marks.
31. Having reviewed the hearing officer’s closely reasoned and careful analysis on the comparison of goods I was not able to detect any error. I reject HNH’s criticisms in this regard.
32. Having made her comparison of the various goods, the Hearing Officer then considered, in the usual way, the characteristics of the average consumer, the nature of the purchasing act and the distinctive character of the earlier trade marks owned by HNH, before proceeding to compare the various marks.

The Comparison of the Marks

33. Under this heading, the Hearing Officer instructed herself in the usual (and correct) way by reference to *Sabel* and *Bimbo*, then set out the marks to be compared and proceeded with her comparison of the marks. First, in [106], she set out her analysis of the mark applied for. Then in [107]-[110], she analysed the 308 mark and set out her conclusions as to the visual, aural and conceptual similarities and differences. She repeated the same exercise for the word mark ‘nineplus’ in [111]-[114] and for the 775 mark from [115]-[117].

34. For each of these three sections, HNH’s point, and my response, is as follows:

- a. [107]-[110]: “*HNH will question why the examiner has made no connection between the Marks, taking into account the situation at hand*”. The Hearing Officer made an entirely correct assessment of the degrees of visual, aural and conceptual similarity. The assessment of whether there was a relevant

connection in the mind of the average consumer comes later in the assessment of the likelihood of confusion.

- b. [108]-[114]: “*HNH’s EUTM Registration for the word nineplus. This appears in its entirety within RB’s Mark. The business is niche. The purchasing public is more likely therefore to be aware of the brand.*” Once again, the Hearing Officer made an entirely correct assessment of the degrees of visual, aural and conceptual similarity. Again, the criticism is directed at a later stage of the analysis – whether there is a likelihood of confusion.
- c. [115]-[117]: “*The word NINEPLUS appears in both Marks. HNH’s registration clearly shows the registered symbol. This clearly indicates that it is a registered Trade Mark, yet the Officer states that it will be given no distinctive significance.*” From the point of view of the average consumer, the small ® symbol is not a significant element in the mark. The Hearing Officer was correct in giving that symbol no distinctive significance, but that does not mean that she was not giving the 775 mark as a whole distinctive significance. I think this criticism is based on a misunderstanding of what the Hearing Officer said.

35. I also reviewed these paragraphs for myself. They contain a suitably nuanced assessment of the various elements in each of the device marks in issue, their relative significance to the average consumer, and the degrees of visual, aural and conceptual similarity and difference. I confess I could detect no error in her analysis.

36. Since some of HNH’s points appeared to me to be directed more at the Hearing Officer’s assessment of the likelihood of confusion, I proceeded to assess that section of her decision for possible error. I noted HNH’s argument above that the ‘nineplus’ business is niche, with the consequence asserted that the purchasing public are more likely to be aware of the brand. This argument has no application in the present context of the s.5(2)(b) ground of opposition, which does not depend on the actual trading carried out under the ‘nineplus’ marks, but on an analysis of the registered right owned by HNH and the registered right as sought by RB. In

this regard, I am entirely satisfied that the Hearing Officer took into account all the relevant factors and gave each of them appropriate weight in her multi-factorial analysis. I was unable to detect any error.

The Bad Faith Allegation

37. In order to understand the criticisms which HNH makes, it is necessary to recite in some detail how the Hearing Officer decided the bad faith allegation made by HNH against RB. This type of allegation is necessarily fact-intensive.

38. The Hearing Officer began by citing [130]-[138] from Arnold J.'s summary of the applicable principles in *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 and reminding herself that bad faith is a serious allegation which must be distinctly proved, that it is not enough for an opponent to prove facts which are also consistent with good faith and that the heavy burden of proof is on HNH to show RB acted in bad faith. This was an impeccable self-direction.

39. The allegation of bad faith in this case is an unusual one and needs to be considered against the background of the history between the parties. As the Hearing Officer recorded in her summary of the evidence:

“23.....The business is said to have started in 1996 and to have grown in the UK until 2000, when it opened a store in Truro. By 2003, “group turnover” is reported as £450,000. It is said to have opened a subsidiary in France and to have operated out of its Cornish premises for ten years, mainly in surfboards and clothing, adding wetsuits in 2005. In 2008, “the founder took back full control”, the company was placed into administration “and bought for £130k to cover all trademarks, intellectual property and stock”. It is acknowledged that a £250k “facility” comprising a loan and overdraft was obtained “using his Father’s house as collateral”. There is also a personal statement which appears to be from RB and includes the following: “Our brand logos, names and trademarks are held in a separate company that license the brand to the trading companies that operate. Our value is in the brand and this company only provides, it does not trade”.

24. Dr Balding’s evidence is that RB’s original company, Nineplus Limited, was put into administration in 2008 and dissolved on 5 June 2009. The evidence is that RB’s “current” company, Nineplus Limited (formerly Nineplus UK Ltd) was incorporated on 27 January 2009.”

40. It is to be noted that the three EUTMs owned by and relied on by HNH in this opposition have filing dates of 24 March 2008 and 9 February 2008, dates which are consistent with the original trading company going into administration and RB taking steps via his father's company HNH to secure trade mark protection for the business going forward.
41. The allegation of bad faith is founded on an agreement made in 2008 in connection with HNH filing the trade mark applications. I have reviewed the evidence for myself but I cannot improve on the summary of the relevant evidence which the Hearing Officer recorded in her Decision. First, she recorded Dr Balding's evidence as to the agreement as follows:

“22. Dr Balding states that RB's use of the mark is under licence from Hasu and that any goodwill would accrue to Hasu.² However, he accepts that there is no “formal document” to show the terms of the agreement.³ He also states that he cannot provide pre-contract correspondence because it has been lost by Yahoo and efforts to retrieve it have not been successful.⁴ Dr Balding states that Hasu's EU trade mark applications were filed “to secure the IP”, in agreement with RB, on the basis that Hasu would hold the registration and RB would use the marks under licence, for which a licence fee and percentage of royalties would be paid.⁵

² P. Balding 1, §11.

³ P. Balding 1, §17.

⁴ Ibid.

⁵ P. Balding 1, §15.

...

27. Dr Balding states that:

“RB failed to reimburse the costs [of registration] (and to pay the agreed royalty) – if he had, the registrations would have been transferred to him. [Hasu] does not refute the claim that when it had been reimbursed, the registrations would be transferred but [...] it would like to point out that there was no agreed date for when this should happen, and that it has not yet happened”.¹³

28. Dr Balding's evidence is that in an email dated 6 January 2013, RB said “For the Trademarks, this will be covered by a percentage of sales as we agreed originally and once repaid maybe we can pass them back to me as currently you own them”.¹⁴ The email itself is not exhibited.”

¹³ P. Balding 2, §8.

¹⁴ P. Balding 1, §16.

42. At this point I should mention that a highly redacted copy of the email was annexed to HNH's Notice of Appeal. The email does indeed contain the wording set out by Dr Balding in paragraph 16 of his first statement. I considered the email *de bene esse* but, as RB indicated when I asked him whether he objected to it being admitted into the proceedings, the amount of the redaction begs further questions. I have considered the now standard principles for admission of fresh evidence on an appeal of this nature (see *Consolidated Developments v Cooper* [2018] EWHC 1727 at [18]-[33], Henry Carr J.) Clearly, the email has always been in Dr Balding's possession. His reason for not exhibiting it earlier was because it contained sensitive material. However, it does not seem to influence the appeal one way or the other. For these reasons, albeit briefly stated, the admission of this additional evidence is not justified on this appeal and I leave it out of account.
43. Returning to the chronology of events, it appears that this arrangement in 2008 whereby trade marks would be registered in the name of HNH was extended, at least for a while. So there is evidence that an Australian trade mark was registered on 29 April 2009 in the name of HNH, now lapsed, and RB made a request in September 2012 that a South Korean trade mark, appearing to be the same as UK 839 but in black & white and picked up by a watch service, should be registered in the name of HNH. But both these instances involved RB specifying that HNH should be the proprietor.
44. It is clear that, after a number of years, Dr Balding became increasingly frustrated that his son was not paying back the costs of the registrations, and he resorted to a variety of tactics to recover those costs.

“29. Dr Balding also states that, in January 2016, he offered to sell Hasu, with the trade marks, to RB for £10,000, an offer which was refused.¹⁵ Further offers to sell are said to have been made in 2016 and throughout 2017.¹⁶

30. There are in evidence emails dated July 2017 between Dr Balding and RB.¹⁷ On 12 July 2017 Dr Balding gave RB a final two weeks to decide whether he wanted to buy Hasu No Hana and how much he would pay. He also raises the issue of apparent non-payment of debts with his son and threatens legal proceedings for recovery. Further, he asserts that “you agreed to pay [Hasu] a royalty on the use of each trade mark, calculated on the sales”. RB's response

refers to various payments. He also states: “Trademarks as per below belong to you at the moment, you cannot insist on a debt here and offer to sell them? no agreement for royalty anywhere, will consider position”. Dr Balding repeats his claim regarding a royalty in an email of 28 July 2017, saying that he paid all the costs of registering the NinePlus and Hasu marks in 2008 because RB could not afford to, and adding the comment that “[y]ou said that this would provide a source of funds to supplement my pension”.

31. There are in evidence emails dated 18 and 19 September 2017 between RB and Dr Balding.¹⁸ Dr Balding refers to his discovery of RB’s application (UK3246839) and confirms that he has filed a notice of intention to oppose. In response, RB says that he advised Dr Balding of the application around two months earlier “as the UK Trademark office said they cannot guarantee that a European Trademark will be accepted within the UK after Brexit takes place”. He also refers to the trademark needing updating “as the branding and logo has changed and is being sold commercially”. RB says:

“I have already agreed to pay £10k to you for the expenses and upcharge you have added to the filing made on my behalf. I have said this will be the last to be settled as it was given as security against my loans. But things must be kept updated as otherwise the branding is not protected.

What I have agreed for the trademarks will be paid but it has to be afforded as has remained the case all the way through. If I was to pay this any earlier (if that were possible) based on your track record you would put the funds against something else, misallocate the funds to your advantage and continue to hold me to ransom with threats of selling trademarks elsewhere.

I have and am doing all I can to settle matters but after now settling what has been £112,000 this year I cannot so [sic] more until cashflow allows it”.

32. Dr Balding states that RB has failed to pay all of the agreed payments, that he did not inform Hasu of his intention to apply for UK3246839 and that it is a clear breach of the verbal agreement between the parties.¹⁹

¹⁵ P. Balding 2, §9.

¹⁶ P. Balding 2, §§10, 28.

¹⁷ PB7.

¹⁸ PB3.

¹⁹ P. Balding 1, §22.

45. RB’s evidence as to the arrangement and subsequent events was summarised as follows by the Hearing Officer:

“38. RB’s evidence is that Dr Balding used Hasu, a non-trading company, to file for the EU trade marks in 2008. It was, he says, to protect RB and assist RB’s business, and meant as a preventive measure against a potential takeover from another shareholder. RB’s evidence is that he agreed to this as he was led to believe that the trade marks would be transferred back into his ownership once the cost of registration had been reimbursed. RB says that “[t]he situation became apparent to me during a meeting between myself and my father whereby it was suggested that I personally made a ‘highest offer’ to buy them back from him thus trying to profit from the assistance and goodwill I had been led to believe was being offered in 2008”. RB’s evidence is that when the EU trade marks were renewed in 2018, Dr Balding indicated that, should RB wish to purchase them, there might be royalties and/or licence fees due. RB’s evidence is that at no time did he agree to a licence or royalty agreement.”

46. It is also relevant that, later in her Decision in connection with RB’s cross-oppositions to HNH’s applications on s.5(4)(a) grounds (i.e. passing off), the Hearing Officer considered whether the goodwill generated by the trading under the nineplus brand had accrued to HNH or to RB:

“163. Hasu claims variously that it applied for the EUTMs as an act of goodwill as between father and son, and that it was an arrangement where all use accrued to Hasu, with royalties and licence fees to be paid by RB in exchange for the use. Again, the terms of any agreement are one man’s word against the other. I am not satisfied on the evidence that the agreement extended to all goodwill in the business run by RB accruing to Hasu. It is, of course, possible for goodwill to be owned by a party other than the business actually trading. It is equally possible that the goodwill was retained by the trading entity and that licence fees or royalties satisfied its debt. More likely, in my view, is that being without professional representation the parties did not discuss where the goodwill would accrue. Given that the parties appear to agree that the trade marks were held by Hasu only until such time as RB made sufficient reparation, it would be an inference too far for me to hold that the goodwill in the business all accrued to Hasu. The relevant public’s perception, notwithstanding the admission of a licence in the 2010 business plan, is likely to have been that the goodwill inured to the trading entity. The evidence does not establish that the position was otherwise.”

47. I note that the Hearing Officer went on to conclude that the evidence was insufficient to establish RB had a protectable goodwill at the relevant date. However, the import is that, if RB had filed better evidence of the scale of his trading, he would have been held to have acquired a protectable goodwill. I agree with the Hearing Officer’s analysis in this regard.

48. On those facts, the Hearing Officer's analysis was as follows:

“128. The parties appear to agree that, in 2008, there was an agreement that Hasu would own the trade marks, which would be used by RB. This is supported by RB's own comments in his 2010 Business Report and by the evidence concerning the Australian (2009) and Korean (2012) applications, all in the name of Hasu. The agreement appears to have been that the marks would be transferred to RB on repayment of the application fees but the actual terms (primarily whether other monies were due) are disputed.

129. It also appears to be agreed (Hasu asserts and RB has not seriously disputed) that, in January 2016, father and son met and Dr Balding invited RB to buy Hasu. That offer was refused. On 12 July 2017 (16 days before the application), Dr Balding gave RB a final two weeks to make an offer for the company. In September 2017, Dr Balding wrote to RB stating that he had discovered, and opposed, RB's application. RB's response the following day was that he had told his father some two months earlier about the application, which was necessary because of concerns over protection post-Brexit.

130. Whilst I have held, above, that there was a licence agreement of some description, the terms of any such agreement are disputed and there is no documentary evidence to assist me. The fact that Dr Balding repeatedly asserts the terms as he understood them does not prove that those were the terms any more than RB's denials do the opposite: it is a case of one man's word against the other. The burden is on Hasu to prove its case. I am unable to find on the evidence before me that RB made the applications in breach of a licence agreement.

131. Hasu also claims that RB made the applications without informing it. This appears to be an allegation that RB's behaviour fell below acceptable commercial standards. However, the evidence shows that when accused of not informing Dr Balding of the application, RB's response was emphatic. He states that he advised Dr Balding of the need to apply two months previously (i.e. July 2017, when the application was made). Dr Balding's response is not in evidence. Further, RB asserts that there was a need to protect the new branding and logo, which he was using. The terms of those emails are not, in my view, sufficient to establish bad faith. It is entirely plausible that RB did, in fact, advise his father some months earlier that he was about to apply for the trade marks to preserve the business's position. It is also clear that RB was the trading party: there is no suggestion that Hasu intended to enter the market on its own account. At most, RB was preventing Hasu from owning the new version of the mark, which was apparently in use. There is nothing in the evidence to suggest that such agreement as there was extended to all future trade marks, particularly as it is accepted that ownership of the EUTMs would have passed to RB on

payment of the (disputed) sums and that the EUTMs were purchased by Hasu solely because RB was in financial difficulty. It is a reasonable inference that, should RB be solvent when future trade mark applications were required, the applications would be in his name or that of his company.

132. I note that the application appears to have been made shortly after Dr Balding's ultimatum that if RB failed to buy Hasu the company would be offered on the open market. Again, I am not persuaded that filing the application amounted to an act of bad faith: it would not be unreasonable for a company, faced with the potential sell-off of its trade marks, to attempt to protect the version currently in use."

49. Although HNH directs particular criticisms at [127]-[130], [131] and [132], there are some prior points which I should also deal with which are also related to this analysis.
50. In relation to [22] and [163], HNH questions the references to goodwill and asserts that HNH has never made any claim to the goodwill in the business, as opposed to goodwill in the trade marks. This point appears to be based on a misunderstanding of the relevant goodwill. In the context of the Hearing Officer's consideration of the passing off ground asserted by RB, her reference to goodwill was appropriate, and it concerned goodwill in the use of the nineplus marks in relation to RB's business.
51. In relation to [13], [31] & [40], HNH questions why the Hearing Officer did not question RB's claims as to when the mark was created. HNH states that the 'new' mark had been registered previously in 2009 in the name of HNH. This, says HNH, calls into question the veracity of RB's claims. In the context of the history of the business, it is reasonably clear that RB used the term 'mark' compendiously to refer to any 'nineplus' mark. I think HNH's other point was to question why RB applied to register this mark in the UK in July 2017, when it had been around since at least 2009. However, the Hearing Officer plainly accepted RB's explanation that he considered there was a need to protect this branding and logo which he was using.
52. In relation to [127]-[130], HNH seems to assert that RB's application was in breach of the agreement, but this is nothing more than a disagreement with the Hearing Officer's plain finding in [130] that she was unable to find on the evidence that RB made the applications in breach of a licence agreement.

53. In relation to [131], HNH disputes that there was evidence to *prove* that RB did inform HNH of the application (my emphasis). I think HNH's point is that there was no explicit written contemporaneous evidence. However, the Hearing Officer had a proper basis, from RB's evidence, on which to find that RB did inform HNH of his application. Furthermore, let me assume that RB did not inform HNH of his application. I do not consider that would have provided a basis for a finding of bad faith. On the Hearing Officer's analysis (with which I agree), RB was entitled to apply for a trade mark in order to protect his ongoing business, and this entitlement was not affected by the outstanding debt to HNH.
54. In response to [132], HNH questions why the Hearing Officer was not persuaded that the application was filed in bad faith. HNH refers to her finding that "*it would not be unreasonable for a company, faced with the potential sell-off of its trade marks, to attempt to protect the version currently in use.*" HNH asserts that the Hearing Officer's belief that HNH would actually sell off the trade marks [sc. to a third party] '*is biased*'. HNH accuses the Hearing Officer of failing to take into account "*Dr Balding's frustration at not being able to secure the reimbursement of his substantial financial outlay on behalf of RB, and the number of attempts that Dr. Balding had made to settle the matter.*" However, in making its points, HNH is accepting that the threat to sell off the trade marks to a third party was made, but is in effect asserting that it should not have been taken seriously. This criticism is unsustainable. The Hearing Officer's finding (quoted above) was entirely reasonable.
55. Notwithstanding that I have addressed HNH's points, I have also stood back from the detail and assessed the situation for myself in order to check there has been no error.
56. In the unusual scenario under consideration here, it is important to focus on what the agreement was in 2008, as far as that is possible. The reason is because I detect that Dr Balding's frustration with, as he sees it, RB's unreasonable refusal to repay the costs incurred by HNH, has led him to embellish in his mind the agreement which was actually reached.

57. From the written evidence, and in the absence of cross-examination of the two participants, it is not easy to nail down precisely what the agreement was. This is almost certainly due to the fact that father and son did not feel the need either to document their agreement or to think about let alone spell out every aspect of it.
58. In these circumstances, it seems likely the agreement was essentially a simple one: HNH would incur the costs of the trade mark registrations and hold the registrations for RB's business to use. When he was able to repay the costs of the trade mark registrations, RB would do so and HNH would pass the registrations to RB.
59. Such an arrangement did entail the grant of a license (i.e. a permission, albeit informal but exclusive) from HNH to RB to use the marks, but this was not a usual licensor-licensee arrangement in which the goodwill generated by use would normally accrue to the licensor. Under this arrangement, as the Hearing Officer found, the goodwill generated by the use of the marks would accrue to and be owned by RB. This accords with the public perception that the goodwill inured to the trading entity.
60. Against this background, HNH had and has an unusual interest in the 'nineplus' registered trade marks (I use the term compendiously) of which it is the registered proprietor. It seems to me its interest is in the nature of a security interest to secure the payment of a debt, the debt being the costs HNH incurred in securing (and holding) the registrations.
61. Dr Balding's argument that his threat that HNH would actually sell off the trade marks [sc. to a third party] '*is biased*' confirms the exclusive nature of the arrangement. The trade marks were for exclusive use in RB's business and it would be a breach of the 2008 Agreement for either Dr Balding to sell HNH with the trade marks to a third party or for HNH itself to sell the trade marks to anyone other than RB.
62. As I have mentioned above, part of HNH's case was that the agreement included a term that HNH would be the owner of *every* trade mark used in the nineplus business at least until the costs were paid. However, as the Hearing Officer said in [131]: "*There is nothing in the evidence to suggest that such agreement as there was extended to all future trade marks, particularly as it is accepted that ownership*

of the EUTMs would have passed to RB on payment of the (disputed) sums and that the EUTMs were purchased by Hasu solely because RB was in financial difficulty.”

There is no basis on which I can interfere with this finding of fact, even taking account of the 2009 Australian registration and the 2012 incident in South Korea. In any event, I agree with it. Although large corporations frequently have a holding company as the owner of all the registered trade marks used in the business, with each company in the group using the trade marks under licence, it is not appropriate to graft that type of arrangement onto this almost infinitely more informal arrangement between father and son.

63. Another part of HNH’s case seems to be that the original agreement included an obligation on RB to pay royalties to HNH. Notwithstanding the words used by RB in his email of 6 January 2013, I am not persuaded that it was part of the original agreement that there was *a formal obligation* to pay royalties, since such an obligation would require the royalty rate to be specified, at the very least, along with the periods over which royalties would be accrued and then paid. It is far more likely that the agreement was to repay as and when RB could afford to do so and that the idea of a royalty arose somewhat later, as Dr Balding sought to find ways to at least start the process of repayment. I have not overlooked the fact that, in his submissions, Dr Balding mentioned that a royalty rate of between 2% and 6% was mentioned in a letter from a solicitor acting on RB’s behalf, but I understand that letter to have been sent many years after the 2008 agreement and in about 2016. To my view, that rather proves the point I made above.

64. Yet another way in which Dr Balding put his bad faith allegation was his assertion that RB’s application was an attempt to avoid repaying HNH. This does not follow at all. First of all, the debt owed by RB to HNH remains extant, even if the amount remains in dispute. Second, that debt is not affected in any way by the existence of RB’s application. In other words, the continued existence of the debt does not render RB’s application as one made in bad faith.

65. It follows from what I have said above that I was unable to identify any error in the Hearing Officer’s analysis and treatment of HNH’s allegation of bad faith.

Some final points

66. When I first read the Decision under Appeal, my initial impression was that it was well structured, careful and well-reasoned but I kept an open mind pending consideration of Dr Balding's arguments, as presented in his Grounds of Appeal, his Skeleton Argument and then in oral submissions.
67. It was apparent to me from his Grounds of Appeal and his arguments that Dr Balding did not really appreciate the basis for a successful appeal (e.g. by identifying errors of principle or by showing the Hearing Officer was plainly wrong – see above) as opposed to having disagreements with what the Hearing Officer had found. Notwithstanding that, I have attempted to deal with every criticism he made of the Hearing Officer's Decision which has any bearing at all on my ability to review the Decision on appeal. I have done so at greater length than I would have done so if the parties had been professionally represented, partly so that Dr Balding understands the reasons why I am rejecting his Appeal and partly in an attempt to encourage Dr Balding and RB to resolve their differences in order to avoid this dispute over money dominating their every interaction.
68. Suffice to say that having considered all of the criticisms put forward by Dr Balding, I was not able to identify any error, let alone of principle, in any part of the Hearing Officer's decision concerning HNH's opposition.

Outcome

69. For all the reasons stated above, I dismiss the Appeal. Accordingly, RB's application will proceed to registration to the extent indicated in the Hearing Officer's Decision in her [134]. This also means that the outcome of RB's oppositions to HNH's applications remains as decided by the Hearing Officer, so HNH's applications will also proceed to registration, to the extent indicated by the Hearing Officer in her [178].

Costs

70. In view of the fact that each side had a measure of success, the Hearing Officer ordered each side to bear its own costs. At the conclusion of the hearing before me

I asked each side for their submissions as to the costs of the Appeal. In the event he was successful, RB indicated he sought no costs. Accordingly, I make no order as to the costs of the appeal so that each side will bear its own costs of the Appeal.

JAMES MELLOR QC

The Appointed Person

13th January 2021