Neutral Citation Number: [2024] EWCA Civ 247

Case Nos: CA-2023-000480
CA-2023-000484

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS IN WALES
INTELLECTUAL PROPERTY LIST (ChD)
His Honour Judge Keyser KC (sitting as a Judge of the High Court)
[2023] EWHC 47 (Ch)

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 14/03/2024

Before:

LORD JUSTICE NEWEY
LORD JUSTICE NUGEE
and
SIR CHRISTOPHER FLOYD

- -

Between:

QUANTUM ADVISORY LIMITED	**Claimant/ Appellant in CA-2023-000480/ Respondent in CA-2023-000484**
- and -	
QUANTUM ACTUARIAL LLP	**Defendant/ Respondent in CA-2023-000480/ Appellant in CA-2023-000484**

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- -

Emma Himsworth KC and Guy Adams (instructed by **Harrison Clark Rickerbys Limited**) for **Quantum Advisory Limited**
Jonathan Hill (instructed by **Acuity Law Limited**) for **Quantum Actuarial LLP**

Hearing dates: 6 and 7 February 2024

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Approved Judgment

This judgment was handed down remotely at 10.30am on 14 March 2024 by circulation to the parties or their representatives by e-mail and by release to the National Archives.

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Lord Justice Newey and Sir Christopher Floyd:

1. These appeals, from a decision of His Honour Judge Keyser KC ("the Judge"), sitting as a Judge of the High Court, relate to the basis on which the defendant, Quantum Actuarial LLP ("LLP"), is permitted to use the mark QUANTUM ADVISORY ("the Mark") and also to trade mark registrations that LLP has obtained for the Mark and a number of associated marks.

Basic facts

2. This section of this judgment is derived principally from the Judge's judgment, given on 18 January 2023 ("the Judgment").

3. LLP was formed in 2007 as part of a reorganisation of the businesses carried on by three companies providing pension-related services: a company then called Quantum Advisory Limited ("Old Quad"), Quantum Financial Consulting Limited ("QFC") and Renaissance Pension Services Limited ("RPS") (together, the "legacy companies"). Old Quad had been established some seven years earlier by a group of people who had worked at PricewaterhouseCoopers: Martin Coombes, Peter Baldwin, Andrew Reid-Jones and David Deidun. Mr Coombes was the single largest shareholder and the managing director. QFC was set up soon afterwards in order to provide regulated financial services associated with work of Old Quad. Mr Coombes was the majority shareholder, but there was an understanding that his shares were held on trust for Old Quad. RPS was formed in 2004 for the purposes of a joint venture between Old Quad and a team led by former colleagues at Bacon & Woodrow, including Robert Davies. The principal shareholders were Old Quad and Mr Davies.

4. As the Judge noted in paragraph 8 of the Judgment, by 2007 Old Quad "had built up and acquired a substantial and valuable goodwill and reputation under and by reference to the name and mark Quantum Advisory". The Judge had explained in paragraph 5:

> "Old Quad carried on business as a provider of administrative, actuarial and related services, primarily for defined-benefit pension schemes. It carried on its business in the name Quantum Advisory, or 'QA' for short. In March 2000 it procured the registration of the domain name quantumadvisory.co.uk, and shortly afterwards it established a website at the domain, which it used thereafter for the purposes of its business. It also adopted the style for email addresses of name@quantumadvisory.co.uk. Its letterhead showed the company name, with a QA logo, as well as the website and email addresses."

5. By 2007, the interests and ambitions of those involved in the legacy companies had begun to diverge. Mr Coombes wanted to diversify, but the other directors and shareholders did not. It was agreed that there would be a reorganisation. A buy-out of Mr Coombes' interest in Old Quad was financially impossible, given its value, and also undesirable for other practical and commercial reasons. An alternative approach was therefore devised. The Judge described it as follows in paragraph 10 of the Judgment:

> "In summary, the business of the legacy companies would be continued by a new entity, which would seek to develop and

> expand it. However, the goodwill of the existing legacy business would be ringfenced: the clients of the legacy companies ('the legacy clients') would remain the clients of the legacy companies (or their assigns), but they would be serviced on behalf of the legacy companies by the new entity, which would then receive a fee representing the cost to it of providing the services to the legacy clients. Accordingly, the new entity would not receive any profit element for servicing the legacy clients. Instead, the benefit to the new entity was that it would receive a turnkey business: it would take over all of the staff of the legacy companies and have the full use of their premises and equipment and the Quantum brand, as well as having an established client base on which to build new business. In this way it would be enabled to develop its own business without the usual costs and risks associated with starting a business from scratch."

6. The plan was implemented with LLP as the new entity. From April 2007, LLP provided the legacy clients with services on behalf of Old Quad, on the basis that Old Quad would retain as profit 43% of the fee income from the clients while the other 57% would be paid to LLP. The 57% that LLP received was designed to cover the cost of providing the services. The arrangement was formalised by an agreement dated 1 November 2007 between Old Quad and LLP ("the Services Agreement").

7. Soon after the Services Agreement had been executed, the assets and business, including the goodwill, of Old Quad were transferred to the claimant ("Quad", which was at that time called "Pascal Company Solutions Limited") and the Services Agreement was novated between Quad and LLP. Quad and Old Quad then swapped names so that Quad became (as it still is) "Quantum Advisory Limited".

8. It is common ground that the legacy companies traded under and by reference to the Mark and that, more recently, Quad and LLP have both done so. The Judge said this in paragraph 15 of the Judgment:

> "The style of email addresses and the website have continued to be used by both [Quad and LLP]. LLP adopted a common letterhead, which displayed the Mark and the corporate names of both Quad and LLP. Similarly, all invoices and emails sent by LLP were in common form for both legacy business and LLP business. In 2009 the branding was refreshed, but the letterhead continued to show the Mark, with a modified logo, and the website and email addresses, and the bottom of the page showed both corporate names. There was a further rebranding in 2016, with a new logo, but the information on the letters and invoices remained materially unchanged. (On each occasion the format of the emails was also modified, to similar effect.) All communications sent out by LLP continued to show both corporate names until about May 2018, when the name of Quad began to be omitted from communications with non-legacy clients. Both entities have at all times continued to use the single website, which contains testimonials from both LLP clients and legacy clients and contains a statement that LLP 'trading as

> Quantum Advisory' 'processes business on behalf of Quantum Advisory Ltd'."

9. By 2018, LLP was dissatisfied with the Services Agreement and it raised, among others, the contention that the provisions of the Services Agreement amounted to an unreasonable restraint of trade. Quad responded by issuing proceedings in which it sought a declaration that the Services Agreement remained in full force and effect. Following a trial in February 2020, the Judge gave judgment in Quad's favour on 5 May 2020 ([2020] EWHC 1072 (Comm)), and his decision was upheld by the Court of Appeal on 24 February 2021 ([2021] EWCA Civ 227, [2022] 1 All ER (Comm) 473). Further litigation ensued between the parties, as to whether the Services Agreement obliged LLP to provide tendering services for Quad. On this occasion, Quad was unsuccessful, with His Honour Judge Jarman KC, sitting as a Judge of the High Court, deciding the issue in favour of LLP in a judgment dated 10 June 2022 ([2022] EWHC 1423 (Ch)) and the Court of Appeal dismissing an appeal on 19 January 2023 ([2023] EWCA Civ 12).

10. Well before then, however, Quad and LPP were in dispute about trade marks. Between June and November 2018, without Quad's knowledge, LLP applied for, and obtained, registration of the following four marks in its own name:

    i) UK trade mark no. UK00003320701 ("the Q Device Trade Mark"):

    ii) UK trade mark no. UK00003320706 ("the Device Trade Mark"):

    QUANTUM ADVISORY
    WORKING IN PARTNERSHIP WITH YOU

    iii) UK trade mark no. UK00003320709 ("the Device Series Trade Mark"):

    QUANTUM ADVISORY
    WORKING IN PARTNERSHIP WITH YOU

    QUANTUM ADVISORY
    WORKING IN PARTNERSHIP WITH YOU

iv) UK trade mark no. UK00003350849, for the word mark QUANTUM ADVISORY ("the Word Trade Mark").

11. LLP applied for the registration of the first three marks on 27 June 2018 and for the last on 5 November 2018. The Q Device Trade Mark was entered in the Register of Trade Marks on 28 September 2018; the Device Trade Mark and the Device Series Trade Mark were entered in the Register on 9 November 2018; and the Word Trade Mark was entered in the Register on 22 March 2019.

12. In the summer of 2020, LLP alleged that Quad was not entitled to use the four marks. In a letter to Quad's directors dated 9 July 2020, LLP said:

> "We note that, without our consent, you use the letterhead of the LLP which contains our logo as well as other registered Trade Marks. The LLP is the owner of four registered marks (UK00003320702, UK00003320706, UK00003320709 and UK00003350849). Please refrain from using the LLP's Trade Marks on your correspondence."

On 7 August 2020, LLP wrote:

> "We refer to our letter dated 9 July 2020, which concerned your use of the LLP's letterhead.
>
> As made clear in our previous letter, the LLP's logo and other parts of the letterhead are protected by registered trade marks. The LLP has not provided its consent for you to use its trade marks (contained in the letterhead or otherwise), nor will consent be provided.
>
> To the contrary, our letter of 9 July 2020 specifically asked you to refrain from using the LLP's trade marks on your correspondence. Given that your letters of 24 July 2020 and 6 August 2020 were issued on the LLP's letterhead, you have evidently refused to comply with that request.
>
> Please confirm within 7 days of the date of this letter that you will stop using the LLP's trade marks, be that on your correspondence or otherwise. If you fail to provide that confirmation and/ or continue to unlawfully make use of the LLP's trade mark(s), the LLP will have no option other than to take further action against you. Should further action be necessary, the LLP will refer to this correspondence (and our letter dated 9 July 2020) to show that the LLP has provided you with an opportunity to resolve this matter amicably."

13. In these proceedings, LLP has not gone that far. It no longer contends that Quad is not entitled to use the Mark or any of the other marks registered in the name of LLP. Its case, as was made clear to us by Mr Jonathan Hill, who appeared for LLP, is that LLP and Quad own separate, concurrent goodwill associated with the Mark. He argued that, in the circumstances, LLP and Quad are both entitled to register the trade marks at issue

in these proceedings. LLP, he said, would not suggest that earlier rights allowed it to object to applications by Quad to be registered as proprietor of the trade marks. Mr Hill drew an analogy with the position in relation to BUDWEISER, as to which see Case C-482/09 *Budějovický Budvar NP v Anheuser-Busch Inc* [2012] RPC 11 and *Budějovický Budvar NP v Anheuser-Busch Inc* [2012] EWCA Civ 880, [2013] RPC 12.

14. As is explained in paragraph 21 of the Judgment, the parties agreed at the trial that the following issues fell to be determined by the Judge:

> "1. What is the nature of the relationship between the parties; in particular does LLP owe Quad fiduciary duties whether as its agent or representative or otherwise?
>
> 2. On what basis was LLP permitted to use the Mark?
>
> 3. Does LLP no longer require any permission from Quad to use the Mark?
>
> 4. Who is entitled to the goodwill in the name QUANTUM ADVISORY?
>
> 5. Who is entitled in equity to the benefit of the registered trade marks?
>
> 6. Is Quad entitled to be substituted as proprietor of the registered trade marks under section 10B of the Trade Marks Act 1994, and in particular (a) is LLP Quad's agent or representative for the purposes of section 10B and (b), if it is, can LLP justify registering the registered trade marks in its own name?
>
> 7. What, if any, relief is Quad entitled to?"

15. The Judge summarised his conclusions in paragraphs 124-128 of the Judgment:

> "124. LLP is a fiduciary to Quad in respect of the conduct of the Quad's business.
>
> 125. LLP is entitled by licence to the use of the Mark only during the subsistence of the Services Agreement. Upon termination of the Services Agreement LLP will no longer be licensed to use the Mark and will be liable to a claim for passing off if it materially misrepresents its business as being associated with Quad and if the other requirements of the tort are met.
>
> 126. Pursuant to section 10B of the 1994 Act, Quad is entitled to rectification of the register so as to substitute its name for that of LLP as proprietor of the Device Trade Mark, the Device Series Trade Mark and the Word Trade Mark.

> 127. Quad is not entitled to relief under section 10B in respect of the Q Device Trade Mark.
>
> 128. Quad is not entitled to an order for rectification, assignment or transfer in respect of any of the registered trade marks in equity."

16. Quad and LLP have both appealed. Quad's appeal (CA-2023-000480) relates to the Q Device Trade Mark. It contends that the Judge was wrong not to make an order for rectification in relation to this mark, either pursuant to section 10B of the Trade Marks Act 1994 ("TMA 1994") or by way of equitable relief. In contrast, by its appeal (CA-2023-000484) LLP challenges the Judge's conclusions that LLP was a fiduciary, that LLP is entitled to the use of the Mark only during the subsistence of the Services Agreement and that the Register should be rectified to show Quad as the proprietor of the Device Trade Mark, the Device Series Trade Mark and the Word Trade Mark.

17. We find it convenient to consider the issues arising from LLP's appeal before turning to those to which Quad's appeal gives rise. The points that fall for consideration can, we think, be addressed under the following headings:

    i) The existence of a fiduciary relationship;

    ii) Separate goodwill;

    iii) Interim conclusions;

    iv) Is Quad entitled to rectification of the Register so as to substitute its name for that of LLP as proprietor of the Q Device Trade Mark, the Device Trade Mark, the Device Series Trade Mark and the Word Trade Mark?

18. We should first, however, say more about the Services Agreement.

<u>The Services Agreement</u>

19. The Services Agreement was made between LLP and Old Quad, which was termed "Quad". The agreement having been novated, however, the references to "Quad" can be taken to relate to Quad.

20. A recital to the Services Agreement, which by virtue of clause 1.8 formed part of its operative provisions, stated:

> "Quad has resolved to appoint the LLP to carry out certain responsibilities for and on behalf of Quad in relation to its business, and the LLP agrees to carry out such responsibilities (the Services, as defined below) in consideration for the payment by Quad of the Administration Fees and any other payments due to Quad pursuant to this Agreement."

21. By clause 2.1 of the Services Agreement, LLP appointed Quad to be responsible for the provision to Quad of the services set out in schedule 7 to the extent, broadly, that they related to legacy clients, and the term "Services" was used for those services. Schedule 7 referred to "Provision of pensions consulting, actuarial, administrative and investment

services", including, with the heading "Handling of any claims against Quad", "Preparing professional indemnity insurance proposal form and dealing with any actions against Quad (whether by any Client or otherwise) including notification of any actual or potential claim to professional indemnity insurers". Clause 2.1 provided that "Quad confers upon and grants to the LLP such power and authority as is necessary or desirable for providing the Services".

22. Clause 7.2 of the Services Agreement, which was part of a clause headed "Supply of the Services", included this:

> "Quad shall make available the Assets to the LLP in order to enable it to perform the Services PROVIDED HOWEVER THAT such consent to use the Assets shall be terminated immediately upon the termination or expiration of this Agreement".

"Assets" was defined to mean the assets set out in schedule 1, which read:

> "All assets owned or leased by Quad to the extent that they are used on or prior to the date of this Agreement for the provision of the Services to the Clients or for any reason relating to the business of Quad".

23. Clauses 7.3, 7.4 and 7.5 of the Services Agreement imposed duties on LLP. Given the significance which LLP attaches to them, we should set them out in full:

> "7.3 The LLP shall provide the Services in a professional, competent, diligent and efficient fashion in accordance with Best Industry Practice and shall devote such time and efforts as it deems reasonably necessary for the efficient operation of Quad's business.
>
> 7.4 The LLP shall in providing the Services comply with any statutory, regulatory or professional requirements as well as any other reasonable requirements made known to it from time to time by Quad which shall include (but not be limited to) the implementation of any actions arising from any reviews of service standards by Quad with any Clients or Introducers. The LLP shall consider in good faith any recommendations made by Quad in the LLP's performance of the Services and the LLP shall be deemed to accept any such recommendation unless the LLP promptly notifies Quad in writing of the LLP's rejection of any such recommendation and provides reasonably detailed reasons for such rejection.
>
> 7.5 Without prejudice to the generality of the LLP's obligations contained in this Agreement, the Services shall be performed to a standard no less favourable than that provided by the LLP from time to time for other

clients in respect of services the same as or similar to the Services."

24. Clause 8 of the Services Agreement was headed "Powers and Duties of the LLP". The following were so specified:

> "8.1 With effect from the Effective Date, but subject to the proviso to this clause and to clause 8.3 below, the LLP is authorised to and agrees to exercise the powers and authorities conferred upon Quad to the extent that such powers and authorities relate or are ancillary to, arise from or are requisite for the provision of the Services PROVIDED THAT, in performing the duties and exercising the powers and authorities referred to in this clause the LLP shall:
>
> 8.1.1 have no power or authority whatsoever to bind or commit Quad, other than pursuant to a power of attorney or other written authority granted by Quad; and
>
> 8.1.2 be subject to the restrictions set out or referred to in this Agreement.
>
> …
>
> 8.3 Quad shall have the right at any time while this Agreement subsists to serve notice on the LLP prescribing limitations on the duties, powers, authorities and discretions exercisable by the LLP hereunder and the time at which such limitations shall take effect.
>
> 8.4 The LLP shall use all reasonable endeavours to avoid doing anything which might prejudice or bring into disrepute in any manner the business or reputation of Quad or any of its directors …."

25. Clause 9 of the Services Agreement, headed "Administration Fees/Loan", provided in clause 9.1 for LLP to invoice Quad each month for 57% of amounts received from Quad's clients and, by clause 9.6, for Quad to review pricing each year and to "use all reasonable endeavours to have the amount of fees increased by no less than the corresponding increase in the Average Earnings Index since the relevant fees were last set or increased".

26. By clause 15.1 of the Services Agreement, each party could terminate the Services Agreement in the event of the other's insolvency. Quad was also to be able to terminate the Services Agreement if a material breach was not remedied and clause 15.3 allowed either party to terminate the Services Agreement on three months' notice, provided that the termination would not take effect prior to the expiration of the "Initial Period", which was defined to mean "a period of ninety nine (99) years from the Effective Date": see clause 15.4.

27. On termination of the Services Agreement for whatever reason, LLP was obliged by clause 16.2 to "at no charge transfer to Quad such assets as are acceptable to Quad … with a value of at least £169,000". By clause 13.1, both parties were also in the event of the termination of the Services Agreement to comply with the obligations set out in schedule 9. These provided for, among other things, LLP to return to Quad "all materials created by the LLP under this agreement, the IPRs in which are owned by Quad" (paragraph 5.12(c) of schedule 9) and, if notified of a requirement for continued use of "Exclusive or Non-Exclusive Assets", LLP was to "procure a non-exclusive, perpetual, royalty-free licence … to use such assets" or "procure a suitable alternative to such assets". "Exclusive Assets" were "those Assets which are used by the LLP exclusively in connection with the provision of the Services", while "Non-Exclusive Assets" were "those Assets used by the LLP in connection with the provision of the Services but which are also employed by the LLP for other purposes". "Assets" was defined for this purpose as:

> "all assets and rights required to provide any of the Services in accordance with this agreement including without limitation the LLP's equipment but excluding Quad's Assets".

28. Clause 17 of the Services Agreement, an entire agreement provision, stated that the Services Agreement and the documents referred to in it "constitute the entire agreement between the parties and supersedes all prior arrangements, written or oral with respect thereto" and that "[a]ll other terms and conditions, expressed or implied by statute or otherwise, are excluded to the fullest extent permitted by law". Clause 18 explained that Quad and LLP were not partners.

The existence of a fiduciary relationship

The Judgment

29. The Judge concluded that "LLP was and is in a fiduciary relationship to [Quad]": paragraph 43 of the Judgment. He gave these reasons in paragraph 43:

> "1) It is to be noted at the outset that the fiduciary relationship alleged by Quad relates only to Quad's business. It is not suggested that LLP is a fiduciary in respect of its own business.
>
> 2) The critical point, in my view, is that the effect of the Services Agreement is, during its subsistence, to entrust the entire operation of Quad's business — and the entire ability to carry it on — to LLP and to grant to LLP all the authority and powers necessary to enable it to carry on that business. By reason of the arrangement embodied in the Services Agreement, Quad, like Old Quad before it, has had no staff, and all of the assets with which it could carry on its business have been made available to LLP; and every aspect of its operations has been carried on by LLP on its behalf and will be so carried on until the termination or expiration of the Services Agreement. In my judgment, [counsel

for Quad] are correct to submit that this relationship necessarily entails that, in respect of the legacy business, LLP owes fiduciary duties to Quad.

3) (In respect of the legacy business, it probably does not much matter whether the definition of 'Assets' is wide enough to include Quad's goodwill. The parties seemed agreed at trial that it did not extend to goodwill. My view, as a matter of construction and therefore of law, is to the contrary: Quad's goodwill was an asset of Quad and must have been used 'for any reason relating to the business of Quad' prior to the date of the Services Agreement; it therefore falls within the definition. It is a different question whether or to what extent the goodwill would be useful to LLP in carrying on the legacy business. However, LLP was certainly capable of damaging Quad's goodwill, as was recognised in clause 8.4.)

4) I attach no importance to the fact that under the Services Agreement the 'Services' are said to be provided to Quad rather than to third parties. It is, again, the substance that matters; the point taken by LLP in this regard seems to me to be semantic. The nature of the Services provided to Quad was the carrying on of Quad's business with third parties. The Services Agreement meant that, in its relations with third parties, Quad had no hands or eyes or brains other than those of LLP. This is well indicated by the fact that clause 2.1, which states that the Services are to be provided 'to Quad', provides that 'Quad confers upon and grants to the LLP such power and authority as is necessary or desirable for providing the Services.' The definition of 'Services', and the definition of 'Assets', which incorporates it, shows that the work comprised in the Services is work provided to the legacy clients.

5) Similarly, the fact that the Services Agreement does not state that the relationship between the parties was one of agency, or fiduciary in any other respect, is in my view immaterial. What matters is the substance of the relationship, not the labels attached to it.

6) Again, I do not consider that the proviso in clause 8.1.1 of the Services Agreement militates strongly against the existence of an agency relationship in particular or a fiduciary relationship in general. Its effect is that LLP does not, by reason of the Services Agreement alone, have authority to make contracts on behalf of Quad. However, … such authority is not a prerequisite of agency. LLP certainly does have the power to affect

Quad's legal relations with third parties, because it performs all of Quad's outward-facing functions. The Recital to the Services Agreement captures this by recording LLP's acceptance of its appointment 'to carry out certain responsibilities for and on behalf of Quad in relation to its business … (the Services …)'. The very real nature of LLP's power to affect Quad's legal relations with third parties is also reflected in clause 8.3, which enables Quad to limit LLP's 'duties, powers, authorities and discretions' exercisable under the Services Agreement; though subject to that provision and to its obligations under clause 7 it was entirely within LLP's discretion how it exercised its powers and authority under the Services Agreement.

7) On behalf of LLP it is submitted that this power is simply an incidence of sub-contracting by Quad to LLP. Such an analysis fails to do justice to the nature of the arrangement embodied in the Services Agreement, whereby during the subsistence of the Services Agreement the entire operations of an existing business, together with the means by which that business was carried on, were handed over to LLP.

8) The 'entire agreement' provision in clause 17 serves only to define the contractual arrangements. It does not preclude the existence of a fiduciary relationship arising out of the parties' contract."

Analysis

30. In *Bristol and West Building Society v Mothew* [1998] Ch 1 ("*Mothew*"), at 18, Millett LJ described a fiduciary as "someone who has undertaken to act for or on behalf of another in a particular matter in circumstances which give rise to a relationship of trust and confidence". Subsequently, in *Arklow Investments Ltd v Maclean* [2000] 1 WLR 594, Henry J, giving the judgment of the Privy Council, spoke at 598 of the concept of a duty of loyalty "encaptur[ing] a situation where one person is in a relationship with another which gives rise to a legitimate expectation, which equity will recognise, that the fiduciary will not utilise his or her position in such a way which is adverse to the interests of the principal". More recently, in *Children's Investment Fund (UK) v Attorney General* [2020] UKSC 33, [2022] AC 155, at paragraph 47, Lady Arden quoted with apparent approval (though adding in paragraph 48 that "[r]easonable expectation may not be appropriate in every case") the following passage from the judgment of Finn J, sitting in the Federal Court of Australia, in *Grimaldi v Chameleon Mining NL (No 2)* (2012) 200 FCR 296, at paragraph 177:

> "a person will be in a fiduciary relationship with another when and in so far as that person has undertaken to perform such a function for, or has assumed such a responsibility to, another as would thereby reasonably entitle that other to expect that he or

> she will act in that other's interest to the exclusion of his or her own or a third party's interest".

Some years earlier, writing extra-judicially, Finn J had drawn attention to the relevance of asking "for what purpose one party has acquired rights, powers and duties in the relationship: to promote his own interests, the joint interest, or the interests of the other party alone", noting that the latter two indicate a fiduciary relationship: see "The Fiduciary Principle", in *Equity, Fiduciaries and Trusts*, ed. TG Youdan, 1989. Others have favoured somewhat different definitions or tests. For example, Paul B Miller has suggested that a fiduciary relationship "is one in which one party (the fiduciary) exercises discretionary power over the significant practical interests of another (the beneficiary)": see *Philosophical Foundations of Fiduciary Law*, ed. Gold and Miller, 2014, at 69.

31. There are certain settled categories of fiduciary relationship. For example, trustees, partners, company directors and solicitors are all considered to have fiduciary obligations. So too, normally, do agents. The word "agent" is used to describe persons fulfilling a variety of roles. A franchisee might be termed an "agent", but have no power to affect the legal relations of the franchisor and have an arm's length relationship with it. At the other end of the spectrum is an "agent" in the strictest sense: a person who has power to contract on behalf of the principal. The extent, if any, to which fiduciary duties are owed will be affected by the type of "agent" in question. In *Eze v Conway* [2019] EWCA Civ 88, Asplin LJ observed at paragraph 39 that "[a]lthough the relationship of principal and agent is a fiduciary one, not every person described as an 'agent' is the subject of fiduciary duties and a person described as an agent may owe fiduciary duties in relation to some of his activities and not others".

32. In general at least, an "agent" with the ability to alter the principal's legal relations with third parties will have fiduciary obligations. However, Mr Hill argued that LLP has no power to contract on Quad's behalf. He relied in this respect on clause 8.1 of the Services Agreement, which stipulates that "in performing the duties and exercising the powers and authorities referred to in this clause the LLP shall … have no authority to bind or commit Quad, other than pursuant to a power of attorney or other written authority granted by Quad". He also pointed out that, under the terms of the Services Agreement, Quad has responsibility for the fees charged to its clients (see clause 9.6) and can serve notice "prescribing limitations on the duties, powers, authorities and discretions exercisable by the LLP hereunder" (see clause 8.3).

33. As, however, Mr Hill accepted, LLP would in the past at least undertake to carry out work for legacy clients without obtaining specific approval from Quad. If, say, the trustees of a pension scheme asked for an extra piece of work (a valuation, perhaps), LLP might have agreed to that without referring the matter to Quad, which, anyway, had no staff of its own. It is also noteworthy that the services which LLP is to provide include "dealing with any actions against Quad … including notification of any actual or potential claim to professional indemnity insurers". It would seem to have been anticipated that in this context, too, LLP would do things which affected Quad's legal position in relation to third parties. In any event, a person can be a fiduciary without having power to contract on behalf of the principal. Solicitors provide an example: see e.g. Megarry & Wade, *The Law of Real Property*, 9th ed., at paragraph 14-041.

34. Another argument advanced by Mr Hill was to the effect that clauses 7.3, 7.4 and 7.5 of the Services Agreement are inconsistent with the duty of loyalty which is the "distinguishing obligation of a fiduciary" (to quote Millett LJ in *Mothew*, at 18). The provisions in question provide for LLP to "provide the Services in a professional, competent, diligent and efficient fashion in accordance with Best Industry Practice", to "devote such time and efforts as it deems reasonably necessary for the efficient operation of Quad's business", to "comply with any statutory, regulatory or professional requirements as well as any other reasonable requirements made known to it from time to time by Quad", to "consider in good faith any recommendations made by Quad in the LLP's performance of the Services" and to perform the "Services" "to a standard no less favourable than that provided by the LLP from time to time for other clients in respect of services the same as or similar to the Services". These clauses are not compatible with a duty of loyalty, Mr Hill submitted, because they do not oblige LLP to be guided solely by Quad's interests and instead impose significantly less onerous duties.

35. There is in fact, however, no conflict between a duty of loyalty and clauses 7.3-7.5 of the Services Agreement. A fiduciary can, and often will, owe duties of care and skill as well as loyalty. Take solicitors. It is of course incumbent on solicitors to exercise care and skill, but they are nonetheless fiduciaries. The obligation of loyalty means, as Millett LJ noted in *Mothew* at 18, that a fiduciary "must act in good faith", "must not make a profit out of his trust", "must not place himself in a position where his duty and his interest may conflict" and "may not act for his own benefit or the benefit of a third person without the informed consent of his principal". None of this is inconsistent with also owing duties such as those for which clauses 7.3-7.5 of the Services Agreement provide. Duties of care and skill, on the one hand, and loyalty, on the other, can co-exist, and breach of one need not involve breach of both. Thus, Millett LJ said in *Mothew*, at 18:

> "Breach of fiduciary obligation … connotes disloyalty or infidelity. Mere incompetence is not enough. A servant who loyally does his incompetent best for his master is not unfaithful and is not guilty of a breach of fiduciary duty."

36. In the present case, the Judge was, in our view, amply justified in concluding that there is a fiduciary relationship between LLP and Quad. Under the Services Agreement, LLP was appointed to be "solely responsible" for the provision of the "Services" as regards legacy clients and granted "such power and authority as is necessary or desirable for providing the Services". Quad still had a board of directors, but it no longer had any staff and had made available to LLP the assets which it had been using for the provision of services to legacy clients. While, as was stressed by Mr Hill, Quad has certain powers of direction and oversight under the Services Agreement, it is still fair to say, as the Judge did in paragraph 43(1) of the Judgment, that the effect of the Services Agreement was "to entrust the entire operation of Quad's business – and the entire ability to carry it on – to LLP". "[I]n its relations with third parties", as the Judge observed in paragraph 43(4), "Quad had no hands or eyes or brains other than those of LLP".

37. In the circumstances, LLP is plainly, we think, an "agent" of such a kind as to be a fiduciary. LLP can fairly be said to have "undertaken to act for or on behalf of another in a particular matter in circumstances which give rise to a relationship of trust and confidence", and, as regards the legacy business, the circumstances are such as

"reasonably [to] entitle [Quad] to expect that [LLP] will act in [Quad's] interest to the exclusion of his or her own or a third party's interest" (to adapt words of Finn J). Again, the relationship between LLP and Quad is one in which LLP "exercises discretionary power over the significant practical interests of" Quad (to echo Paul B Miller's formulation).

38. That, however, is not the end of the story. The duties that a fiduciary owes can be shaped to an extent by the particular context. As is noted in *Bowstead and Reynolds on Agency*, 23rd ed., at paragraph 6-036, "fiduciary duties ought not to be used to change, let alone undermine, the agreed basis of the parties' relationship let alone the express terms of the mandate". In that connection, Lord Wilberforce, giving the judgment of the Privy Council in *New Zealand Netherlands Society "Oranje" v Kuys* [1973] 1 WLR 1126, said at 1129-1130 of the "obligation not to profit from a position of trust, or, as it is sometimes relevant to put it, not to allow a conflict to arise between duty and interest" that its "precise scope of it must be moulded according to the nature of the relationship". In *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41, Mason J said in paragraph 70:

> "That contractual and fiduciary relationships may co-exist between the same parties has never been doubted. Indeed, the existence of a basic contractual relationship has in many situations provided a foundation for the erection of a fiduciary relationship. In these situations it is the contractual foundation which is all important because it is the contract that regulates the basic rights and liabilities of the parties. The fiduciary relationship, if it is to exist at all, must accommodate itself to the terms of the contract so that it is consistent with, and conforms to, them. The fiduciary relationship cannot be superimposed upon the contract in such a way as to alter the operation which the contract was intended to have according to its true construction."

In *Kelly v Cooper* [1993] AC 205, Lord Browne-Wilkinson, giving the judgment of the Privy Council, said at 214 that "[i]t is not possible to say that all agents owe the same duties to their principals: it is always necessary to have regard to the express or implied terms of the contract" and at 215 that "the scope of the fiduciary duties owed by the defendants to the plaintiff (and in particular the alleged duty not to put themselves in a position where their duty and their interest conflicted) are to be defined by the terms of the contract of agency".

39. In the present case, Mr Hill argued that, if there is a fiduciary relationship between LLP and Quad, it is one conditioned by the terms of the Services Agreement and the fact that it was always understood that there would be two businesses trading alongside each other: the legacy business and LLP's own. Mr Hill pointed out that the effect of the Judgment is that, even if the Services Agreement subsists for 99 years and, by then, the legacy business is either defunct or negligible by comparison with LLP's own business, LLP will have to stop using a trade mark under which it has been trading for a very substantial period. That, Mr Hill argued, was inconsistent with the overall arrangements between the parties.

40. These contentions require us to consider the implications of the Services Agreement and also the collateral licence which the Judge held to exist.

Separate goodwill

41. As we have mentioned, it is LLP's case that the arrangements between itself and LLP are such as to allow LLP to acquire separate, concurrent goodwill associated with the Mark. On that basis, LLP contends that, when the Services Agreement comes to an end, it will not need a licence from Quad to continue to use the Mark.

42. The Judge considered that the Services Agreement does not assist LLP in this respect. He said in paragraph 53 of the Judgment that the Services Agreement "regulates LLP's conduct of the legacy business" and "contains only a passing allusion in clause 7.5 to LLP's own business and nothing that refers to LLP's use of the Mark for its own business, although that use was clearly permitted". That being so, "the scope of the licence to LLP to use the Mark for its own business must be sought in the general arrangements made in 2007": paragraph 55. In paragraph 69, the Judge held that "the licence granted to LLP to use the Mark was coterminous with the Services Agreement". The Judge concluded in paragraph 76:

> "Accordingly, I conclude that LLP is licensed to use the Mark during the continuance of the association with Quad. It is the owner of the business that, with the use of the Mark among other things, it builds up during the continuance of that association. However, upon termination of the Services Agreement LLP will no longer be licensed to use the Mark and will be liable to a claim for passing off if it materially misrepresents its business as being associated with Quad and if the other requirements of the tort are met."

43. Mr Hill, however, argued that, correctly construed, the Services Agreement allows LLP to acquire separate, concurrent goodwill such that it will not need a licence to use the Mark when the Services Agreement comes to an end. As for the collateral licence which the Judge held to exist, Mr Hill said that no such finding was open to the Judge on either the pleadings or the evidence.

The Services Agreement

44. Mr Hill contended that the Judge ought to have focused on the Services Agreement. He relied principally on clause 7.2 of the Services Agreement, which provides for Quad to:

> "make available the Assets to the LLP in order to enable it to perform the Services PROVIDED HOWEVER THAT such consent to use the Assets shall be terminated immediately upon the termination or expiration of this Agreement".

Adopting the Judge's analysis in paragraph 43(3) of the Judgment (quoted in paragraph 29 above), Mr Hill said that the goodwill of the legacy business associated with the Mark fell within the Services Agreement's definition of "Assets" and so was made available to LLP pursuant to clause 7.2. That making available, Mr Hill submitted, was not confined to use in carrying out work in respect of legacy clients but also extended to use in LLP's own business. LLP was thus in a position to establish goodwill of its own, with the result that, when the Services Agreement came to an end, neither Quad nor LLP would need a licence from the other.

45. There are several problems with these contentions. In the first place, clause 7.2 does not confer an untrammelled right to use "Assets". "Assets" are made available to LLP "in order to enable it to perform the Services". The word "Services" is defined to refer to the services set out in schedule 7 in so far as they relate to legacy clients. That being so, it seems to us that clause 7.2 entitles LLP to use "Assets" only in connection with the legacy business, not for purposes of its own. Authorisation to use the Mark, goodwill associated with it or other "Assets" for LLP's own business must, as the Judge thought, be found elsewhere.

46. A second difficulty with LLP's case lies in the proviso to clause 7.2. That provides for consent to use the "Assets" to be terminated with termination or expiration of the Services Agreement. Even supposing, therefore, that clause 7.2 allows LLP to use goodwill associated with the Mark for its own business while the Services Agreement is in force, the right to do so is to come to an end with the Services Agreement.

47. The third problem stems from the principle that goodwill in a business carried on using a mark under a licence is presumed to accrue to the licensor and not the licensee. *Wadlow on The Law of Passing Off*, 6th. ed., explains in paragraph 3-311, in a passage quoted in part by Recorder Amanda Michaels in *Hayman-Joyce Property Ltd v Hayman-Joyce Broadway LLP* [2023] EWHC 1028 (IPEC), [2023] FSR 27, at paragraph 43:

> "If the commercial purpose of an agreement is to license the use of a distinctive name or mark in respect of which the licensor has (or is agreed to have) goodwill, to a licensee who has (or is agreed to have) no such goodwill, and in circumstances where the licensee's use would otherwise be actionable as passing-off, then in the absence of agreement to the contrary or other supervening factors, the goodwill in the business so carried on by the licensee under the licensed name or mark will accrue to the licensor rather than the licensee. The licence may be express or implied, provided always that it does not offend against the prohibition on transactions in gross. The licensee acquires no interest in the licensed name or mark and must cease using it on termination of the licence. Examples are to be found in *Coles v Need* [[1934] AC 82], *Roberts v Davis* [(1935) 53 RPC 79], *Manus v Fullwood & Bland* [(1949) 66 RPC 71], *Bostitch* [[1963] RPC 183 and [1964] RPC 173], and *Dawnay Day v Cantor Fitzgerald* [[2000] RPC 669]. It is irrelevant whether the goodwill in the licensed business would otherwise have accrued to the licensee, the licensor, or both. It is the parties' contractual agreement, and not some extrinsic legal fiction or equitable doctrine, which operates to vest the goodwill in the licensor, unless otherwise agreed, because no other outcome is consistent with the ordinary licensor-licensee relationship."

48. Even assuming, therefore, that clause 7.1 serves to license LLP to use the Mark for its own business, the goodwill associated with the Mark will accrue to Quad as the licensor unless there is agreement otherwise: and none is to be found in the Services Agreement.

The collateral licence found by the Judge

Pleading

49. Mr Hill submitted that Quad did not allege a collateral licence in its pleadings and, hence, that it was not open to the Judge to find that there is one. He pointed out that, while the claim form included a claim in bald terms for a "declaration that Quad is entitled to the goodwill in the name QUANTUM ADVISORY" and both the particulars of claim and the reply included reference to the Services Agreement, no suggestion is to be found in the claim form, the particulars of claim or even the reply that there is a collateral licence. Paragraph 7(5) of the reply stated:

> "The permission to use the name and mark QUANTUM ADVISORY, the Domain Name and email addresses using the Email Style in relation to the services provided by LLP pursuant to the Services Agreement would be terminated immediately upon the termination or expiration of the Services Agreement pursuant to clause 9.2 of the Services Agreement."

There was, however, no mention of any collateral licence.

50. In our view, however, the Judge was entitled to consider whether there is a collateral licence such as he found to exist. In the first place, we agree with Mr Guy Adams, who argued this part of the case for Quad, that it was not strictly incumbent on it to allege a collateral licence. Its position, as it had made clear in the particulars of claim, was that it was the owner of the goodwill associated with the Mark. LLP pleaded in its defence that the Services Agreement entitled it to use the Mark in relation to its own business. It was for LLP to allege in the alternative, if it wished to, that there was a collateral licence permitting it to use the Mark. Secondly, we can see no good reason to suppose that LLP was prejudiced by the fact that Quad did not refer to any collateral licence. The evidence relating to the relevant issues appears to have been before the Judge.

Substance

51. The Judge said in paragraph 69 of the Judgment:

> "In my judgment, the correct conclusion is that the licence granted to LLP to use the Mark was coterminous with the Services Agreement. I reach this conclusion primarily on the basis of a finding of fact that this was the express basis on which the use of the Mark was agreed in 2007, however vague and imperfect may be the recollections of what was discussed. However, even if nothing had been said about the matter, I should reach the same conclusion as a matter of the reasonable interpretation of the licence."

52. The Judge thus made a finding of fact that the "express basis on which the use of the Mark was agreed in 2007" was that "the licence granted to LLP to use the Mark was coterminous with the Services Agreement". He did so after a review of evidence extending over 13 paragraphs in which the Judge had drawn particularly on evidence from "two persons who were most closely involved in the discussions in 2007: Mr Baldwin and Mr Reid-Jones": see paragraph 56 of the Judgment.

53. In paragraph 61 of the Judgment, the Judge observed that an email sent by Mr Reid-Jones, who "took the lead in negotiations on behalf of LLP" (paragraph 60), shows that he was "acutely aware of the very problem that LLP now confronts, namely the risk that it would not be able to continue using the Mark after the termination of its relationship with Quad". Mr Reid-Jones said this in the email:

> "With my LLP hat on, I think we have a bit of a problem here now.
>
> Quantum Advisory Limited is not happy to give the LLP the name 'Quantum Advisory' for a mixture of emotional and financial reasons.
>
> I suggest that we may want to consider naming the LLP something completely different from 'Quantum', as should Quantum move from the LLP in the future there may well be legal implications for the name and its usage, whilst the LLP will have run up a number of years' worth of marketing that name for it to fall as a windfall benefit to the Pascal [i.e. Quad] shareholders and then have to change their name.
>
> This would be clearly unfair, so we may want to let Quantum Advisory Limited keep the name and so be able to use that brand n years from now should they separate from the LLP.
>
> This would have some administrative complexities, but does allow us to start anew and prevent freeloading at the expense of the LLP."

54. In paragraph 62 of the Judgment, the Judge said that, by about the end of May 2007, "it had been agreed that LLP would be called Quantum Actuarial LLP but that, notwithstanding the misgivings expressed by Mr Reid-Jones, it would use Quantum Advisory as its trading name". The Judge went on:

> "Mr Reid-Jones' concerns about the future loss of LLP's right to trade as Quantum Advisory (and, indeed, the loss of its entire trading infrastructure) were, as I find, addressed by reference to the term, or duration, of the Services Agreement."

In that connection, the Judge quoted from a witness statement made in other proceedings between the parties in which Mr Baldwin had said:

> "I recall an informal meeting between myself, Andrew [Reid-Jones] (and I believe Dave [Deidun]), at which we discussed the

> problems (as well as diversion) of renegotiating terms in 10 years' time … and the disruption and damage that would ensue to the LLP if it lost the business and brand. There were also concerns that the potential loss of business in year 10 would make it very difficult to plan in advance for future facilities and staff planning. I do not believe that we came to any conclusions at that meeting other than that it needed to be addressed. Following that meeting, Andrew asked to meet with Martin [Coombes] to review progress on the services agreement. … The extension of the term to 99 years was proposed by Martin as a way of dealing with the LLP's issues and this was agreed by Andrew on behalf of the LLP at the meeting referred to above on 15 August 2007. I see from Martin's email to the lawyers following that meeting that the extension of the Initial Term would reduce the profile of the exit/transition provisions. It killed off the LLP's concern about losing the contract other than by its fault."

55. Asked about these matters in cross-examination, Mr Baldwin said that he always understood that, if there was a termination, "the LLP would have to rename itself as something else and would then transfer its clients to whatever that other thing was". "[I]t was just always assumed it was common sense", Mr Baldwin said, "that we couldn't both trade as Quantum Advisory". He assumed that both would have been "Cardiff-centric" and so there would have been "two businesses marketing themselves in a relatively small market". Mr Baldwin expressed the view that "the 99-year term works quite well", whereas "it wouldn't have worked very well for either party" to have both using "Quantum Advisory". Challenged on "Quad's supposed concerns regarding two businesses with the same trading name in the same location, on the basis that the legacy business was an inherently shrinking business", Mr Baldwin:

> "rejected this challenge on three grounds: first, there was the so-called 'Pipeline' business, relating to contracts with those who were not legacy clients when the Services Agreement was made but with whom Quad had had existing contacts; second, there were new clients within the legacy business, relating to new pension schemes of existing employers or new companies within the same groups as existing clients; third, any constraints on seeking entirely new business would fall away when the Services Agreement was terminated".

See paragraphs 63-65 of the Judgment.

56. The Judge considered that Mr Reid-Jones had been "rather coy" when cross-examined on the use of the Mark as a trading name: see paragraph 67 of the Judgment. Mr Reid-Jones did, though, accept that "an aspect" of the proposal to increase the term of the Services Agreement from 10 years (as had originally been envisaged) to 99 years had been his "concern about the loss of the brand at the end of the term of the agreement": see paragraph 67. He further accepted that, "after the termination of the Services Agreement, LLP would lose the domain name quantumadvisory.co.uk and the associated website as well as the email addresses": see paragraph 68. Asked whether he was "really suggesting that it was thought sensible that two companies doing the

same thing could use the same mark, pitching to Welsh Water for the same work", Mr Reid-Jones said that he thought it was "an issue that both parties kicked down the road": see paragraph 68.

57. In paragraphs 70-73 of the Judgment, the Judge gave these reasons for concluding that "the licence granted to LLP to use the Mark was coterminous with the Services Agreement":

i) Nothing in Mr Baldwin's cross-examination or in the other evidence had led him to think that the evidence that Mr Baldwin had given in his witness statement in the earlier proceedings was materially inaccurate: see paragraph 70;

ii) Since "the question of the continued use of the trading name after termination of the Services Agreement was in the minds of those negotiating the reorganisation of the business in 2007" and "the problem was real", "it is improbable that it was not addressed in the discussions": paragraph 71;

iii) Mr Reid-Jones "actually admitted in cross-examination that the risk of the loss of the trading name was 'an aspect' of what had been discussed in the course of negotiations" and it is both "implausible that the matter was 'kicked down the road' in the sense of being left for later resolution" and "entirely reasonable to suppose that the parties addressed the matter by minimising the risk that LLP would lose the trading name in the foreseeable future": paragraph 72;

iv) The "commercial context … militate[s] strongly in favour both of Quad's case as to what was expressly agreed and of the proper interpretation of the licence if nothing was said in terms about its duration" since, among other things, the main reason why Old Quad resisted the use of "Quantum Advisory" in LLP's legal name was "concern over retention of the trading name"; "[t]he notion that there was some kind of implicit agreement for concurrent goodwill associated with the Mark after termination of the Services Agreement is implausible, for reasons put to Mr Reid-Jones in cross-examination"; "it appears to be LLP's case that LLP would have concurrent rights to use the Mark" even if Quad had terminated the Services Agreement because LLP had become insolvent; and Mr Reid-Jones accepted that, "if the association between LLP and Quad were to be terminated, LLP would no longer be able to use the domain, website or form of email addresses, all of which have been fundamental means by which LLP has used the Mark": paragraph 73.

58. There are of course only limited circumstances in which an appellate Court is entitled to interfere with a finding of fact made by a trial judge. Thus, in *Henderson v Foxworth Investments Ltd* [2014] UKSC 41, [2014] 1 WLR 2600, Lord Reed (with whom Lords Kerr, Sumption, Carnwath and Toulson agreed) said at paragraph 67:

> "in the absence of some other identifiable error, such as (without attempting an exhaustive account) a material error of law, or the making of a critical finding of fact which has no basis in the evidence, or a demonstrable misunderstanding of relevant evidence, or a demonstrable failure to consider relevant evidence, an appellate court will interfere with the findings of

> fact made by a trial judge only if it is satisfied that his decision cannot reasonably be explained or justified".

59. In our view, there is no question of our being entitled to interfere with the Judge's finding of fact that the "express basis on which the use of the Mark was agreed in 2007" was that "the licence granted to LLP to use the Mark was coterminous with the Services Agreement". The finding was rooted in the Judge's careful assessment of the relevant evidence and was the subject of a full explanation. It also accords with common sense, since it is very difficult to see how it could be satisfactory (or how the parties could have thought that it could be satisfactory) for LLP and Quad both to trade using the Mark once the Services Agreement had come to an end.

60. We would add that the extract from *Wadlow on The Law of Passing Off* is again in point. Goodwill arising from LLP's use of the Mark for its own business will, as it seems to us, accrue to Quad as the licensor.

Interim conclusions

61. The matters discussed thus far appear to us to lead to the following conclusions:

i) Before the reorganisation in 2007, Old Quad owned the goodwill associated with the Mark;

ii) Quad inherited that goodwill from Old Quad;

iii) LLP enjoys the right to use the Mark for the purposes of the legacy business pursuant to the Services Agreement, but (a) that right will come to an end with the Services Agreement and (b) goodwill associated with the Mark which has accrued as a result of Quad permitting LLP to use the Mark for the purposes of the legacy business will belong to Quad;

iv) LLP enjoys the right to use the Mark for the purposes of its own business pursuant to a collateral licence, but (a) that right will come to an end with the Services Agreement and (b) goodwill associated with the Mark which has accrued as a result of Quad permitting LLP to use the Mark for the purposes of LLP's business will belong to Quad;

v) LLP owes fiduciary duties to Quad. Such duties must accommodate themselves to the terms of contracts between the parties, but in the present case neither the Services Agreement nor the collateral licence contains anything serving to qualify LLP's fiduciary duties in a relevant way. Had the Services Agreement, correctly construed, provided for LLP to acquire goodwill associated with the Mark, its fiduciary duties would have been modified accordingly, but it does not in fact do so. That being so, even if goodwill associated with the Mark were not to accrue to Quad in accordance with the principle summarised in *Wadlow on The Law of Passing Off*, it seems to us that LLP could not claim such goodwill for itself. To do so would be counter to the rule that, in matters connected with the fiduciary relationship, a fiduciary "may not act for his own benefit … without the informed consent of his principal" (to use words of Millett LJ in *Mothew*, at 18). It follows, we think, that Quad is the equitable owner of the goodwill associated with the Mark if it is not its legal owner.

Rectification of the Register

62. Section 10B of TMA 1994 provides as follows:

> "(1) Subsection (2) applies where a trade mark is registered in the name of an agent or representative of a person ('P') who is the proprietor of the trade mark, without P's consent.
>
> (2) Unless the agent or representative justifies the action mentioned in subsection (1), P may do either or both of the following—
>
> (a) prevent the use of the trade mark by the agent or representative (notwithstanding the rights conferred by this Act in relation to a registered trade mark);
>
> (b) apply for the rectification of the register so as to substitute P's name as the proprietor of the registered trade mark."

63. In this judgment we will refer to "P" as "the principal". Section 10B of TMA 1994 was enacted in order to implement Article 13 of Directive (EU) 2015/2436 of the European Parliament and the Council of 16 December 2015 to approximate the laws of the Member States Relating to trade marks (Recast) ("the Trade Marks Directive"). At the same time, section 60 of TMA 1994, which dealt with the same subject matter in different terms, was repealed. That section required the principal's mark to be in a "Convention country", but the definition of that term in the Act excluded the United Kingdom. Article 13 of the Trade Marks Directive contains no reference to "Convention country" and provides:

> "1. Where a trade mark is registered in the name of the agent or representative of a person who is the proprietor of that trade mark, without the proprietor's consent, the latter shall be entitled to do either or both of the following:
>
> (a) oppose the use of the trade mark by his agent or representative;
>
> (b) demand the assignment of the trade mark in his favour.
>
> 2. Paragraph 1 shall not apply where the agent or representative justifies his action."

64. Article 13 of the Trade Marks Directive, and sections 60 and 10B of TMA 1994, all had their origin in Article 6*septies* of the Paris Convention for the Protection of Industrial Property 1883 ("the Paris Convention") which provides:

> "(1) If the agent or representative of the person who is the proprietor of a mark in one of the countries of the Union applies, without such proprietor's authorization, for the registration of the mark in his own name, in one or more countries of the Union, the proprietor shall be entitled to oppose the registration applied for or demand its cancellation or, if the law of the country so

> allows, the assignment in his favour of the said registration, unless such agent or representative justifies his action.
>
> (2) The proprietor of the mark shall, subject to the provisions of paragraph (1), above, be entitled to oppose the use of his mark by his agent or representative if he has not authorized such use.
>
> (3) Domestic legislation may provide an equitable time limit within which the proprietor of a mark must exercise the rights provided for in this Article."

65. Section 10B refers to the principal being the proprietor of the trade mark. It is clear that the principal's trade mark does not have to be a registered trade mark, but may be an earlier unregistered right. Indeed, the section would have little if any practical effect where the principal's mark and the mark registered by the agent were both in the same jurisdiction if the principal was required to have registered the mark as well. The principal's trade mark may also be a foreign registered or unregistered mark. It is not uncommon for agents or distributors of imported goods of the principal to attempt to register the principal's foreign mark in their home jurisdiction: see e.g. *Sribhan Jacob Company Limited's Trade Mark Application* Decision 0-066-08 dated 3 March 2008 a decision of Mr Richard Arnold QC (as he then was) ("*Jacob*").

66. A strict reading of section 10B might suggest that the principal's trade mark and the trade mark registered in the name of the agent or representative without the principal's consent would have to be the same rather than merely similar marks. In *Jacob,* Richard Arnold QC held an application by an agent or representative to register a mark which differs in elements which do not affect the distinctive character of the principal's mark to be within section 60(1) (now section 10B(1)). He noted that this appeared to be the test applied by the Office for the Harmonisation of the Internal Market in their Guidelines dated March 2004. He continued "It may be the case that section 60(1) extends to applications to register marks which are less similar than this" but it was not necessary for the purposes of that case to decide the point. Subsequently, in Case C-809/18P *EUIPO v John Mills Ltd* [2021] Bus LR 123, the CJEU confirmed, in the context of Article 8(3)[1] of Council Regulation (EC) No 207/2009 ("the Community Trade Marks Regulation" or "CTMR"), that that provision applies both where the mark applied for by the agent is identical to and where it is similar to the earlier mark (see paragraph 91 of the judgment). Similarity was not to be assessed on the basis of a likelihood of confusion, however (see paragraph 92 of the judgment). The Court did not take the opportunity of explaining in positive terms what the limits of the concept of similarity were. It did, however, give this guidance at paragraph 72:

> "the objective pursued by [Article 8(3) of the CTMR] is to prevent the misuse of the earlier mark by the agent or representative of the proprietor of that mark, as those persons may exploit the knowledge and experience acquired during their business relationship with that proprietor and may therefore

[1] Article 8(3) of the CTMR allows a principal to oppose the registration of a mark by an agent or representative when the registration is without the principal's consent.

> improperly benefit from the effort and investment which the proprietor has made."

67. It may be, therefore, that the test of what is sufficient similarity for the purposes of invoking section 10B is better tested by asking whether the mark registered by the agent is sufficiently close to an earlier mark of which the principal is the proprietor for it to benefit improperly from the effort or investment which the principal has put into the earlier mark. It is, however, not necessary for us to explore the precise limits of the concept, because the marks which fall to be compared in the present case are either admittedly identical or similar to the Mark, or exhibit no similarity to the Mark at all.

68. As can be seen from paragraph 10 above, the four trade mark registrations in issue in this case differ from each other in important respects. The Word Trade Mark consists only of the words QUANTUM ADVISORY. The Device Trade Mark and the Device Series Trade Mark incorporate the words QUANTUM ADVISORY but also incorporate a large stylised letter Q as well as the strapline WORKING IN PARTNERSHIP WITH YOU under the words QUANTUM ADVISORY. The letter Q in the Device Trade Mark is multicoloured whereas in the Device Series Trade Mark it is blue. The Q Device Trade Mark consists only of the stylised and multicoloured letter Q from the Device Trade Mark, with no accompanying wording.

69. In paragraph 88 of the Judgment the Judge identified five requirements for a successful application under section 10B for each of the four registered marks in issue in terms which neither party seeks to criticise:

> i. LLP must have been the agent or representative of Quad.
>
> ii. Quad must have been the proprietor of a trade mark that (a) is identical with or similar to the registered trade mark and (b) subsisted in goods or services identical or similar to those for which the registered trade mark was registered.
>
> iii. LLP must have applied for registration of the trade mark in its own name.
>
> iv. LLP must have applied for registration without Quad's consent.
>
> v. LLP fails to establish that its actions in applying for registration of the trade mark was justified.

70. The Judge decided that the first requirement was satisfied (see paragraph 91 of the Judgment), and there was no challenge before us to this conclusion. As to the second requirement, the Judge held that the goods and services concerned were similar, and that conclusion was not challenged before us. As to the comparison of the marks themselves, the Judge held that the Word Trade Mark was identical to the Mark (paragraph 94). He had already concluded that Quad was the proprietor of the Mark. It was conceded before the Judge and before us that the Device Trade Mark and the Device Series Trade Mark were similar to the Mark. That left only the question as to whether the Q Device Trade Mark was similar to the Mark. The Judge held at paragraph

95 that it was not similar: "All that they have in common is the letter 'Q'." The Judge added this at paragraph 99:

> "Accordingly, Quad's case under section 10B in respect of the Q Device Trade Mark fails. Such a case would have had to assert not that the Hero Q was similar to or associated with the Mark but that it was itself identical to a mark of which Quad was the proprietor. No such assertion was made … in the particulars of claim (cf. paragraphs 3, 6 and 16) and that is not the basis on which the case was put before me."

71. The third and fourth requirements were satisfied, as was common ground before the Judge and before us. As to the fifth requirement, the main ground of justification argued before the Judge was that LLP had an independent and concurrent right to use the marks which it had registered in respect of its own business. The Judge rejected this at paragraph 114:

> "In my judgment, that is not an adequate justification under section 10B. It still amounts to reliance on the self-interest of the agent in preference to that of the principal. Mr Hill's submission mischaracterises the position as between the parties, which I have explained at sufficient length. Quad, not LLP, was the proprietor of the Mark and had a goodwill associated with it. It remained the proprietor of the Mark and continued to use it. LLP had only a permissive right by licence to use the Mark during the subsistence of the relationship between the parties. It had its own goodwill in its own business, but it never acquired more than a licence to use the Mark. When the relationship ends, it will have to use a different trading name or risk laying itself open to an action for passing off. While the relationship subsists, although it may use the Mark for its own business, it is a fiduciary of Quad and is not permitted to prefer its own interests to those of Quad or to act in a manner that compromises Quad's interests. In seeking to register trade marks that incorporate the Mark, it has clearly done just that."

72. The Judge accordingly found that Quad was entitled to relief under section 10B in respect of all the registered marks apart from the Q Device Trade Mark. He went on to consider whether Quad was entitled to relief in equity, which only arose for consideration in relation to the Q Device Trade Mark. The Judge politely described the claim for relief in equity as "pleaded with less than ideal clarity in the particulars of claim". At paragraph 114 of the Judgment he said that he understood the claim to equitable relief to be put as follows:

> "The basic argument for equitable relief may, as I understand it, be summarised as follows. The effect of sections 2, 22, 24 and 26 of the 1994 Act is that nothing in the statutory scheme precludes such relief on general equitable grounds. This is confirmed by the view expressed obiter by Geoffrey Hobbs QC as the Appointed Person in *Ennis v Lovell (The Swinging Blue Jeans Trade Mark)* [2014] RPC 32, at paragraph 22(4). It is also

> supported by *Ball v The Eden Project Ltd* [2001] ETMR 87, where Laddie J ordered the registered proprietor to assign the mark to the company of which he was a director, on the grounds that in registering the mark in his own name he had acted in breach of fiduciary duty to the company. The entitlement to such relief on the facts of this case follows from my findings as to the existence of a fiduciary relationship, as to the nature and extent of the permission to LLP to use the Mark, and as to the lack of justification for LLP's registration of the trade marks. By registering, in its own name and for its own benefit, the Mark and the designs that were a refreshing of the brand and parasitic on the use of the Mark, LLP was in breach of its fiduciary duty to Quad."

73. The Judge rejected the claim to relief in equity because he considered that section 10B, giving effect to Article 13 of the Trade Marks Directive, was a comprehensive EU law code and left no room for equitable principles to supplement the principal's rights. If he was wrong about that, he went on to say at paragraph 123(4) and (5) that he did not think this was a case for equitable relief in respect of the Q Device Trade Mark (in contrast to the other registered marks) in any event. We will return to those reasons later in this judgment.

74. Mr Hill challenges the Judge's conclusion in relation to the Word Trade Mark, the Device Trade Mark and the Device Series Trade Mark on the basis that the Judge had been wrong to find the existence of a fiduciary relationship between Quad and LLP, and that he had been wrong to reject the existence of concurrent goodwill in the Mark accruing to the benefit of both parties. We have dealt with those arguments in reaching our interim conclusions. We agree with Quad that the Judge was right to reject the argument that LLP was justified in registering those marks.

75. The remaining issues appear to us to be as follows:

    i) Are the Mark and the Q Device Trade Mark sufficiently similar for the purposes of section 10B?

    ii) Does equity retain a rôle in securing the principal's rights despite the implementation of Article 13 of the Directive, and if so what rôle?

    iii) Was a claim to proprietorship of the goodwill in the Q device pleaded adequately and/or argued below?

    iv) Is Quad the proprietor of a mark identical to the Q Device Trade Mark?

    v) What if any relief is Quad entitled to in respect of the Q Device Trade Mark?

Similarity

76. Ms Emma Himsworth KC, who argued this part of the appeal for Quad, submitted that, in order to give effect to the purposes underlying section 10B, in circumstances such as those of the present case, it was necessary to have regard to the particular form of use of the principal's mark in deciding whether there was sufficient similarity with the mark

registered by the agent or representative. She cited Case C-252/12 *Specsavers International Healthcare Ltd v Asda Stores Ltd* ECLI:EUC:2013:497 ("*Specsavers*"). In *Specsavers* the CJEU held that where a wordless mark (not registered in colour) had been used by the proprietor in a particular colour and a significant portion of the public associated that colour with the proprietor, it was relevant to the overall assessment of the likelihood of confusion that the allegedly infringing sign used the same colour. So, she argues, as the Mark had been used in combination with the stylised Q (as for example in the Device Trade Mark), the relevant comparison for the purposes of similarity could take into account the stylised Q.

77. We are not persuaded by this argument. *Specsavers* is about establishing likelihood of confusion between a mark and a sign which are similar, and the issue is whether that similarity is sufficient to cause confusion. Matter extraneous to the registered mark may assist, in certain circumstances, in that determination. In the present case the marks being compared are not similar: their only common feature being a letter of the alphabet. No one would say that the marks MCDONALDS and BMW were similar because they both include the letter M, however prominently the proprietors of the former may have stressed the initial letter in their advertising. No amount of extraneous matter can create similarity where none existed before.

78. We think the Judge was plainly right to hold that the Q Device Trade Mark was not similar to the Mark. There are no common features of the Q Device Trade Mark apart from a common use of a letter of the alphabet. However broadly one formulates the test for similarity, the answer is the same. The Q Device Trade Mark does not retain any distinctive element of the Mark. The stylisation of the Q Device Trade Mark is not something which Quad put effort or investment into. There is nothing about the Q Device Trade Mark which creates any sort of link with the Mark. The Q Device Trade Mark does not have the capability of improperly taking advantage of the effort and investment which Quad put into the Mark.

Is equity excluded?

79. In *Marussia Communications Ireland Ltd v Manor Grand Prix Racing Ltd* [2016] EWHC 809 (Ch), [2016] Bus LR 808 Males J (as he then was) held that, where a defence of consent had been recognised and defined by a provision of the CTMR, there was no room for the application of more elaborate, home-grown principles of consent, such as acquiescence and estoppel. A defence either fell within the defence of consent as defined by the European legislation or it did not. We will refer to this doctrine as "the *Marussia* principle". The Judge applied the *Marussia* principle when he decided that there was no room for the application of equitable principles in a case which fell within the scope of Article 13 of the Trade Marks Directive, which he considered had the effect of harmonising the rights of principals vis-à-vis their agents or representatives who have registered trade marks. He continued:

> "It does this by enabling them to claim the registered trade marks if they are identical or sufficiently similar to their own previous marks. Quad's contention in this case would add further grounds for achieving the same result in circumstances where the criterion of identity or similarity was not satisfied. That would conflict with the Directive's purpose to harmonise the laws and to ensure that "the conditions for obtaining and continuing to

> hold a registered trade mark be, in general, identical in all Member States."

80. The reference to the conditions for obtaining and continuing to hold a registered trade mark being, in general, identical in all Member States comes from Recital 12 of the Directive.

81. Ms Himsworth argued that the Judge was wrong to exclude the possibility of equitable relief at least in the case of the Q Device Trade Mark. *Marussia* was distinguishable from the present case. She did not, however, challenge the exclusionary principle itself.

82. Before one can apply the *Marussia* principle to the legislative provisions in this case, it is important to understand the nature of those provisions and thus the extent to which they seek to harmonise national law to the Directive.

83. Ms Himsworth referred us to *Ricketson, The Paris Convention for the Protection of Industrial Property, A Commentary*, Oxford University Press, 2015 and to a passage in which Professor Ricketson traces the history of the various proposals which ultimately became Article 6*septies*. He argues at paragraph 12.67 that, unlike earlier proposals, the provision says nothing about the effect of the unauthorised registration, merely that the proprietor should have procedural rights (to oppose registration or to demand cancellation or an assignment), allowing the agent to justify its action. Accordingly, he says, the provision has no substantive impact on national law. We cannot accept the full breadth of this proposition. We would prefer to say that Article 6*septies* and its progeny, the CTMR and the Trade Marks Directive, require States to confer a *prima facie* right to relief in the specific situation identified, but subject to the right of the agent or representative to justify their action. That is rather more than a procedural right, although the substantive right created is a qualified one. Accordingly, where the facts fall within the specific situation envisaged by Article 13, alternative national law remedies are excluded.

84. National law plainly does have a part to play in one aspect of the application of section 10B, however. Article 13 does not contain a definition of "the proprietor" of the principal's mark, and the determination of whether the principal is the proprietor of a mark is a matter which is left to national law. In this we are in agreement with Professor Ricketson's *Commentary* at paragraph 12.68(d):

> "the term 'proprietor' is not defined, but should pose no particular problems, referring to the person or entity who 'owns' the mark. This ultimately is a question for each national law to determine, but there is no reason to suppose that it is confined to persons or entities that are registered owners or proprietors of the mark. However, where the proprietor is not registered as the owner of the mark in another country, it will be a question for the national law of the country of the agent or representative to determine whether this person is entitled to claim the status of 'proprietor'."

85. We think the same is true of Article 13. Whether the principal is the proprietor of any given mark is a matter exclusively for national law.

86. To summarise, Article 13 of the Trade Marks Directive is a harmonising provision concerned with the provision of remedies where an agent or representative, without consent, registers an identical or similar mark of which the principal is the proprietor. In all cases the agent or representative may justify his action in registering the mark. Whether the principal is, before the application of Article 13, the proprietor of the mark is a matter exclusively for national law.

87. In the case of the United Kingdom, national law as to the ownership of registered trade marks allows for the application of equitable principles. Section 26(2) of the TMA 1994 provides that:

> "Subject to the provisions of this Act, equities (in Scotland rights) in respect of a registered trade mark may be enforced in like manner to as in respect of other personal or moveable property."

88. In *Ball v The Eden Project* [2001] ETMR 966 Laddie J granted summary judgment in favour of a company whose director had registered in his own name a trade mark under which the company traded, in breach of his fiduciary duty to the company. Laddie J ordered an assignment of the registered mark to the company and rectification of the Register. He did not need to consider an alternative basis for the claim which relied on the company's ownership of the goodwill in the unregistered mark. It is important to note that the claim for breach of fiduciary duty which succeeded did not depend in any way on the company's ownership of a pre-existing goodwill. The case is a good illustration of the fact that there are two distinct ways in which a principal may complain about the registration of a trade mark by his agent. The first way is founded on the principal's rights to an earlier mark to which the mark registered by the agent is identical or similar. The second way is founded solely on the agent's conduct in registering a mark in its own interests and adverse to the interests of its principal.

89. In *Ennis v Lovell (The Swinging Blue Jeans Trade Mark)* [2014] RPC 32 Geoffrey Hobbs QC (sitting as the Appointed Person under TMA 1994), observed, *obiter*, at paragraph 22(4) that:

> "[N]othing in the legislation prevents the bringing of a claim on general equitable principles for a declaration to the effect that a particular trade mark registration is, by reason of the manner and the circumstances in which it was acquired, held by the proprietor of the registration on trust for the claimant."

90. In principle, we think that, as a matter of English law, it is also open to a party to assert that it is the owner in equity (i.e. the proprietor) of an unregistered mark because it is the owner in equity of the goodwill generated by the use of that mark. We have already applied that principle in concluding that Quad owned all the goodwill in the Mark. If the agent were to register an identical mark owned in that way without the principal's consent (and without adequate justification) then a straightforward application of section 10B would provide for rectification of the Register in favour of the principal. Such a claim would not offend the *Marussia* principle because it does not displace or supplement section 10B: on the contrary it would rely on the section. National law is invoked only in its legitimate sphere of identifying who in law is the proprietor.

91. The Judge did not approach the arguments in that way, however, because he considered that there was no pleaded or argued claim that Quad was the proprietor of any unregistered marks, apart from the Mark. Although this did not matter for the Word Trade Mark, the Device Trade Mark or the Device Series Trade Mark (where the claims succeeded on the basis of the Mark alone), it was fatal to any such claim as we have identified in the previous paragraph in relation to the Q Device Trade Mark. We will return to the question of whether the Judge was right to hold that there was no claim pleaded or argued to proprietorship of an unregistered mark identical to the Q Device Trade Mark.

92. As is clear from the passage of the Judgment quoted in paragraph 72 above, the Judge considered the claim in equity to be based on the making of the applications for and the obtaining of the registered trade marks in issue in breach of fiduciary duty, i.e. on a similar basis to that which succeeded in *Ball v The Eden Project.*

93. Ms Himsworth argued that a claim for breach of fiduciary duty in relation to the Q Device Trade Mark was not excluded by the *Marussia* principle. If, as the Judge held, the Mark and the Q Device Trade Mark were not sufficiently similar to allow Article 13/section 10B to be invoked, then equity can be relied on to assist the principal. She cited Case C-381/16 *Salvador Benjumea Bravo de Laguna v Esteban Torras Ferrazzuolo* ECLI:EU:C:2017:889 ("*Salvador"*) in which the CJEU dealt with the scope of Article 18 of the CTMR, a provision in similar terms to Article 13 of the Trade Marks Directive. The question asked of the Court was whether the provisions of the CTMR precluded the application of a national provision under which a person harmed by a trade mark registration which was applied for in fraud of his rights or in breach of a legal or contractual obligation is entitled to claim ownership of the mark. The Court held:

> "34. It follows that actions for recovery of ownership of an EU trade mark registered in the name of an agent or representative of the proprietor of that trade mark without that proprietor's authorisation are governed exclusively by [the CTMR].
>
> 35. On the other hand, Article 18 of that regulation does not govern actions for recovery of ownership of an EU trade mark in cases other than that of a trade mark registered in the name of an agent or representative of the proprietor of that trade mark without that proprietor's authorisation.
>
> 36. Consequently, as provided for in Article 16 of [the CTMR], an EU trade mark as an object of property must, in cases falling outside that envisaged in Article 18 of that regulation, be dealt with as a national trade mark …
>
> 38. In the light of all the foregoing considerations, the answer to the question raised is that Article 16 and 18 of [the CTMR] must be interpreted as not precluding the application to an EU trade mark of a national provision, such as that in issue in the main proceedings, under which a person harmed[,] by the trade mark registration which was applied for in fraud of his rights or in breach of a legal or contractual obligation, is entitled to claim

> ownership of that trade mark, provided that the situation concerned does not fall within those covered by Article 18 of that regulation."

94. Neither side suggested that the position would differ under the Trade Marks Directive. Mr Hill submitted that *Salvador* supported LLP's position. The present case was an action for the recovery of a trade mark on the ground that it was registered by an agent or representative of that proprietor without that proprietor's authorisation. If that claim fails, then it cannot be legitimate to mount an alternative case based on a provision of national law. Not falling within the scope of the provision was to be contrasted with failing to establish its essential conditions. To allow such a claim, he argued, would be to upset the balance struck by EU law, and extend the reach of Article 13 of the Trade Marks Directive.

95. We do not accept that argument. We agree with Ms Himsworth that there may be claims in respect of trade marks registered by the agent or representative which are not similar to any trade mark owned by the principal which would fall outside the scope of Article 13. Take a contractual provision that says that any trade mark applied for by an agent in the course of the agency was to be owned by the principal. It would be strange if such a provision could not take effect in relation to marks which were different from any mark previously owned by the principal. *Salvador* does not prohibit such a claim in respect of a different mark because it is not a claim "for recovery of ownership of an EU trade mark … registered in the name of an agent or representative of the proprietor *of that trade mark* without that proprietor's authorisation." (emphasis supplied).

96. In our judgment, a claim by a principal, based on a national law rule, that the registration by an agent or representative of a mark which is not identical or similar to any earlier mark owned by the principal was a breach of fiduciary duty, is not precluded by the *Marussia* principle. Such a claim is not within the scope of Article 13 because it is also not a claim, in the words the Court used in *Salvador* "for recovery of ownership of [a trade mark] … registered in the name of an agent or representative of the proprietor *of that trade mark* without that proprietor's authorisation." As the Court recognised, the CTMR and therefore the Directive do not preclude "the application [to a trade mark] of a national provision … under which a person harmed[,] by the trade mark registration which was applied for in fraud of his rights or in breach of a legal or contractual obligation, is entitled to claim ownership of that trade mark, provided that the situation concerned does not fall within those covered by [the relevant EU provision]."

97. The difficulty for Quad, on this part of the case, is that they positively assert that they own not only the goodwill in the Mark, but also the goodwill in the device the subject of the Q Device Trade Mark. In other words, they owned an unregistered mark identical to the mark which has been registered by LLP. It follows that, on Quad's case, the registration by LLP of the Q Device Trade Mark was a situation which fell within the scope of Article 13. If Quad's case as to ownership of the goodwill in the device were to succeed, no alternative claim in equity can be available. Any alternative case based on breach of fiduciary duty must accept that Quad does not have any entitlement to the goodwill in the Q Device Trade Mark. It must be a situation which is not covered by Article 13.

Pleading

98. The question of whether Quad made a claim to be the proprietor of the goodwill in the Q device is, as we have said, fundamental to one of the two ways in which Quad could advance a claim to the Q Device Trade Mark. The particulars of claim had the following allegations:

i) Paragraph 6 alleged that Old Quad had a substantial reputation and valuable goodwill under and by reference to the name and mark QUANTUM ADVISORY, i.e. the Mark.

ii) Paragraph 13 identified particular examples of use of the Mark, but without drawing attention to any particular associated branding.

iii) Paragraph 21 claimed that Quad "is entitled to declarations that it is entitled in equity (i) to the benefit of the trade marks; … and/or (iii) the goodwill and reputation in the name Quantum Advisory *and its associated brand*" (emphasis supplied). No definition of "associated brand" is attempted.

iv) Paragraph 22 sought rectification of the Register under section 10B TMA 1994.

99. The following paragraphs of the defence are relevant:

i) Paragraph 16 (i) denied that the Q Device Trade Mark was "for the name and mark QUANTUM ADVISORY *or associated branding* (as it does not feature the word QUANTUM at all)". There was no similar denial for the Device Trade Mark or the Device Series Trade Mark, both of which were said to have been commissioned by LLP from branding consultants without reference to Quad.

ii) Paragraph 21 (which pleaded to paragraph 21 of the particulars of claim) pleaded that "Quad is not the owner of the Trade Marks in Equity. Further Quad has not pleaded any basis for contending that it is." The pleading then went on to allege certain matters pending proper particularisation.

iii) Paragraph 21(c) pleaded that "Quad is not entitled to all goodwill and reputation in the name Quantum *and its associated brand*."

iv) Paragraph 22(a) includes a plea that "LLP was not acting in a fiduciary relationship with Quad" despite the absence of an allegation to that effect in the particulars of claim. An allegation by Quad to that effect was ultimately pleaded in paragraph 3 of the reply.

v) Paragraph 22(b) pleaded that "Quad is not the proprietor of the Trade Marks for the devices. As referred to above, LLP owns/controls the rights in the devices".

vi) Paragraph 22(c) pleaded that the Q Device Trade Mark "is not similar to any mark in which Quad owns rights".

100. We think it emerges sufficiently clearly (albeit rather obliquely) from the pleadings that Quad was alleging that it was the owner in equity of the goodwill and reputation not only in relation to the Mark but also in relation to the associated branding. Although "associated branding" was not defined, it is clear that LLP understood this allegation to include the goodwill and reputation in the device elements of the four registered trade marks in issue. As to the basis on which it was alleged to be the owner in equity, there

are sufficient averments in the pleadings read as a whole to understand that the claim was founded on the relationship of agency and/or the fiduciary relationship.

101. On this basis we consider that it was open to Quad on its pleading to assert that it was the owner of the goodwill and reputation in relation to the device the subject of the Q Device Trade Mark, which was clearly part of the branding associated with the Mark at the time that the Q Device Trade Mark was registered.

102. In addition to the pleading point, however, the Judge also recorded that the case had not been argued before him on the basis that Quad was the owner of the goodwill and reputation in the Q Device Trade Mark. Ms Himsworth did not show us any material to suggest otherwise, and a review of Quad's skeleton below shows no sign of such an argument. Mr Hill submits that if the claim had been advanced before the Judge on the basis that Quad was the owner of the goodwill in a mark identical to the Q Device Trade Mark, there would have been a need for further evidence. He suggests that Quad are seeking, on appeal, to plug a gap in the case they advanced at trial, without affording LLP a proper opportunity to deal with it.

103. We do not think it would be just to allow Quad to put their case on the basis of the ownership of goodwill in a mark identical to the Q Device Trade Mark, for the reasons advanced by Mr Hill. Such a case was obliquely referred to in the pleadings, but Quad's opening skeleton did not put the case in that way. LLP were entitled to assume that it was not being run. The point is not a pure point of law. Raising the point before us now deprives LLP of a proper trial of the issue.

Is Quad the proprietor of a mark identical to the Q Device Trade Mark?

104. It follows from the previous section that this issue does not arise. The Judge said at paragraph 123(4):

> "Quad's legitimate interests, so far as marks are concerned, extend to the registration of marks to which it is entitled (that is, the other three registered marks) and matters falling within the law of passing off. The registration of the Q Device Trade Mark is not such a matter"

105. The Judge, as it seems to us, is proceeding on the basis that Quad had no entitlement to the goodwill and reputation in the Q Device Trade Mark.

What if any relief is Quad entitled to in respect of the Q Device Trade Mark?

106. We have rejected Quad's claim to rectification of the Register in respect of the Q Device Trade Mark under section 10B based on similarity of that trade mark to the Mark. We have also concluded that, for reasons of procedural fairness, it is not open to Quad to advance a claim under section 10B on the basis that it was the proprietor of a mark identical to the Q Device Trade Mark on the ground that it owned the goodwill in that mark prior to its registration. The only available claim for rectification in respect of the Q Device Mark is that, despite the fact that Quad is not the proprietor of an earlier mark identical or similar to the Q Device Trade Mark, it was applied for and registered in breach of LLP's fiduciary duty to Quad.

107. The Judge, as will be recalled, thought that equitable relief was not available in principle. If it had been he would have refused it in respect of the Q Device Trade Mark for the reasons he gave in paragraph 123(4) and (5):

> "4) If I thought that equitable relief were available in principle, I would not grant it in respect of the Q Device Trade Mark, though I would grant it in respect of the other registered trade marks. In essence, this is because I should consider the conduct giving rise to relief under section 10B to be in breach of fiduciary duty, whereas the conduct not falling within section 10B is not such a breach of duty. There is no reason of principle why LLP should not act to its own advantage and in its own interests. It is simply prevented from doing so where its advantage and interests conflict with those of Quad. Actions to take the benefit of registration of marks identical with or similar to the mark of which Quad is the proprietor are, as it seems to me, an obvious case of preferring LLP's interests to those of Quad. But the Hero Q is not such a mark: it is not identical or even similar to Quad's mark and has been procured solely by LLP. The fact that it has subsequently been used in the branding of the businesses of both entities does not seem to me to indicate that registration of the mark by LLP is contrary to any legitimate interest of Quad's. Quad's legitimate interests, so far as marks are concerned, extend to the registration of marks to which it is entitled (that is, the other three registered marks) and matters falling within the law of passing off. The registration of the Q Device Trade Mark is not such a matter.
>
> 5) If equitable relief were available in principle, I should anyway think that it would be an exceptional case where a case not falling within section 10B could merit the grant of equitable relief."

108. We do not agree with the Judge that the limits of LLP's fiduciary duty are coincident with or influenced by the scope of section 10B in the way he suggests in these two sub-paragraphs. It is clear that, in applying for and registering the Q Device Trade Mark, LLP was seeking to promote its own interests by seeking and obtaining exclusive rights in the device. It is true, as the Judge said, that there is no general prohibition on the fiduciary acting in its own interests, but in matters falling within the scope of its fiduciary duties, in Millett LJ's words in *Mothew* "he must not make a profit out of his trust; he must not place himself in a position where his duty and his interest may conflict; he may not act for his own benefit … without the informed consent of his principal".

109. It is clear that the Q Device Trade Mark had been used as part of the branding under which the duties entrusted to LLP under the Services Agreement were being performed. Ms Himsworth took us through the history of the branding associated with the Mark, including the persistent emphasis on the letter Q. The 2007 rebrand introduced the use of the multicoloured Q device alongside the words QUANTUM ADVISORY on all letterheads and other materials. By 2009 the second page of all letters had the Q device alone on continuation pages. This practice was maintained in the further brand refresh which occurred in 2016.

110. The Q Device Trade Mark forms an integral part of the Device Trade Mark, where it is used in combination with the Mark. It is clear that all the branding was created as a package used to promote all the services provided under the Mark, whether legacy business or business conducted by LLP.

111. The entitlement to register the Q device as a trade mark did not of course depend on the existence of any use before registration. Given the use which we have described, however, registering the mark would be advantageous to LLP. First, it would give LLP the right to prevent third parties from using the Q device, even though sufficient use had not been made of it to justify a passing off action. Secondly, the registration would have a defensive function, in that LLP would be able to rely on the registered trade mark as a defence to an action for infringement of another registered mark. Thirdly, the registered mark would be personal property of LLP which could be licensed, assigned or transferred to third parties for value. Those were all benefits which LLP acquired by registering without informed or indeed any consent from Quad.

112. Registering the Q Device Trade Mark was, on the other hand, contrary to the interests of Quad. We put aside LLP's attempts, subsequently withdrawn, to assert the registered marks, including the Q Device Trade Mark, against Quad and to prevent Quad from using them altogether. By registering the Q Device Trade Mark, however, LLP put itself in control of an asset which was in use in and of value in protecting Quad's business. That meant that LLP could confer rights on others to use the device by assignment or licensing, in circumstances where Quad would not or may not have done so. In addition, Quad might realistically be called upon to justify its own use of the device, which it ought not to have the obligation to do.

113. The Judge did consider that the registrations of the Word Mark, the Device Trade Mark and the Device Series Trade Mark involved breaches of fiduciary duty. His main reason for not taking the same view of the registration of the Q Device Trade Mark was that it was not identical to or similar to the Mark. He said that:

> "actions to take the benefit of registration of marks identical with or similar to the mark of which Quad is the proprietor are, as it seems to me, an obvious case of preferring LLP's interests to those of Quad. But the [Q Device Trade Mark] is not such a mark: it is not identical to or even similar to Quad's mark and has been procured solely by LLP."

114. We agree with the Judge that registration of marks which are identical with or similar to the Mark was an obvious breach of fiduciary duty. It is nevertheless a breach of fiduciary duty by an agent who owes an undivided duty of loyalty to seek to register in its own right some part of the branding under which the principal's services are marketed, whether or not that element of the branding is similar to the principal's main trade mark and even where the use of that element cannot support a passing off action on its own. It is precisely because statutory rights are acquired by registration that registration of the mark in LLP's name is in LLP's interests and contrary to those of Quad.

115. The Judge appears to have taken into account the fact that it was LLP who procured the branding. We do not think he was right to do so. The fact that a fiduciary procures an

asset for use in the principal's business does not assist the fiduciary in claiming that asset for itself.

116. The present case, of course, has the feature that LLP had its own business in which it had legitimately been using the branding associated with the Mark, with Quad's consent. That, of course, ensures that Quad could not use the Q Device Trade Mark, when it acquires it, to prevent LLP from using it whilst the Services Agreement subsists. Ms Himsworth accepted before us that this was so. It does not have the consequence that LLP is entitled to promote its own interests ahead of Quad's and claim the Q Device Trade Mark for itself.

117. We conclude that the Q Device Trade Mark was also registered in breach of the fiduciary duty which LLP owed to Quad.

118. What remedy should be fashioned to remedy the breach? We consider that, as with the other marks in respect of which the Judge has already ordered rectification, the Register should be rectified to substitute Quad for LLP as the proprietor of the Q Device Trade Mark.

Conclusion

119. It follows that we would:

i) allow Quad's appeal in relation to the Q Device Trade Mark;

ii) order rectification of the Register of Trade Marks to substitute Quad for LLP as proprietor of the Q Device Trade Mark; and

iii) dismiss LLP's appeal.

Lord Justice Nugee:

120. I agree.