

O-222-06

TRADE MARKS ACT 1994
IN THE MATTER OF APPLICATION No 2366194
BY THE EDINBURGH BREWERY COMPANY LIMITED
TO REGISTER THE TRADE MARK
EDINBURGH PALE ALE THE EDINBURGH BREWERY COMPANY
LIMITED
IN CLASS 32
AND IN THE MATTER OF OPPOSITION THERETO
UNDER No. 93018
BY THE CALEDONIAN BREWING COMPANY LIMITED

BACKGROUND

1) On 19 June 2004, The Edinburgh Brewery Company Limited of 13A Dean Park Mews, Stockbridge, Edinburgh EH4 1EE applied under the Trade Marks Act 1994 for registration of the trade mark EDINBURGH PALE ALE THE EDINBURGH BREWERY COMPANY LIMITED, in respect of the following goods:

In Class 32: “Beer; ale; porter; lager and stout.”

2) On 9 December 2004 The Caledonian Brewing Company Limited of 42 Slateford Road, Edinburgh, EH11 1PH filed notice of opposition to the application. The grounds of opposition are in summary:

a) The application offends against section 3(6) as one of the directors of the applicant company was previously a director of the opponent company and is aware that the opponent has used the mark EDINBURGH STRONG ALE. The applicant either intends to benefit from the opponent’s reputation under this mark or is seeking to establish a bar to the opponent registering its mark.

b) The applicant brews in Dunbar and therefore the mark offends against section 3(3)(b) as the word EDINBURGH in the mark is misleading.

c) The opponent has used the mark EDINBURGH STRONG ALE since 1869 and so the application offends against section 5(4)(a).

3) The applicant subsequently filed a counterstatement denying the opponent’s claims, counterclaiming that the term EDINBURGH STRONG ALE is a descriptive term that has been used by many breweries over the years to describe a style of beer. Reference is made to advice given by the opponent’s trade mark attorney to a former director of the opponent company who is now a director of the applicant company that the mark was not capable of being registered. They also state that whilst they brew other beers at Dunbar this is irrelevant to the instant proceedings. They state “The opponent alleges that the Applicant brews in Dunbar, therefore the mark applied for, containing the name “EDINBURGH” is misleading. This is mere conjecture on the part of the opponent and is neither admitted nor denied.”

4) Both sides filed evidence in these proceedings. Both sides ask for an award of costs. Neither side wished to be heard although both sides provided written submissions which I shall refer to as and when they are relevant in my decision.

OPPONENT’S EVIDENCE

5) The opponent filed a witness statement, dated 13 June 2005, by James Bell the Finance Director of the opponent company. He states that the marks EDINBURGH and EDINBURGH STRONG ALE have been used in relation to beer originating from the opponent’s brewery since 1869. Whilst ownership of the brewery has changed hands during this time the reputation and goodwill in the marks attaches to the brewery. He provides a number of exhibits as follows:

- JB1: An article from the *Yorkshire Post* dated 29 April 2000 showing a bottle of beer with a label showing the name “CALEDONIAN” and also the words “EDINBURGH STRONG ALE”. The word “EDINBURGH” being in larger font than the words “STRONG ALE”. As per the third bottle from the left in the image shown at exhibit JB4.
- JB2: An article from the *Daily Record* dated 25 September 1999 showing the same label as in exhibit 1.
- JB3: An article dated 1998 which again shows use of the same label.
- JB4: A picture of four bottles of beer. They all show use of the words “CALEDONIAN” and “EDINBURGH STRONG ALE” albeit in slightly different styles. These are said to date from 1992 to 2005.



- JB5: Turnover figures for Edinburgh Strong Ale as shown in the table below. Volume figures were provided but did not specify if the figures were gallons, barrels or something else. Also “off trade volumes and turnover” figures were provided but these did not refer to “Edinburgh Strong Ale” and did not show full years.

Year	Turnover £
1998	175,621
1999	125,093
2000	109,407

2001	58,546
2002	57,877
2003	50,561
2004	48,027

6) Mr Bell states that his company's reputation has been strengthened by the fact that they are the sole brewer currently in Edinburgh. He states that the historical use of the mark Edinburgh Strong Ale combined with the opponent being the only brewery in the city means that the public associate any trade mark used on beer which has the word "Edinburgh" in it with his company. He states that the applicant's mark is misleading as it does not brew in Edinburgh but in Dunbar some 30 miles away. He states that the geographical origin of a beer is significant as he claims that a member of the public is likely to purchase Edinburgh Pale Ale on the basis of either the general reputation of Edinburgh as a brewing city or because of his company's reputation as the only brewer in the city. He states that in either case the public would be misled when purchasing the applicant's product.

7) On the issue of the ex-director of the opponent company who is now a director of the applicant company, Mr Bell expresses his surprise that this person was not aware of the opponent's earlier use of the mark, whilst at the same time disclosing confidential advice that he was given in his capacity as a director of the opponent company. Mr Bell points out that the advice was privileged and confidential between the trade mark agent and the opponent company and that it is evidence of bad faith for the applicant company to disclose it as part of their counterstatement.

APPLICANT'S EVIDENCE

8) The applicant filed three witness statements. The first, dated 15 November 2005, is by Charles H McMaster who describes himself as "the leading authority on Scottish brewery history and heritage". He states that in the 1970s he was a founder member of Scottish Brewing Heritage, dedicated to the study of the brewing industry in its Scottish context. He states that in 1982 he was appointed as Archivist to the newly formed Scottish Brewing Archive which was housed at Heriot-Watt University a post he held for a decade until the demise of the organisation. During this time he states that he wrote, lectured and broadcast extensively on the subject of brewing in Scotland. Mr McMaster states that since 1992 he has pursued a freelance career in these fields in addition to lecturing at Leith Academy and elsewhere. Currently, he states that he is employed by Scotsman Publication Ltd for whom he contributes articles on beers and brewing. In total he states that he has over thirty years experience working in the brewing field.

9) Mr McMaster states that the opponent is not the only brewery in Edinburgh, within the postcode area there are five others, although he does not name them. He also states "I have reason to disbelieve Mr Bell when he claims that a beer simply named "Edinburgh Strong Ale" has been available from the Caledonian Brewery since 1869", although he does not specify why he disbelieves the evidence of the opponent. He also states:

"4. I myself am perfectly familiar with brewing custom and practice in the United Kingdom and in particular the Scottish brewing industry. With the

significant amount of rationalisation which has taken place in the industry since the Second World War, nowadays it is quite common for a beer to bear the geographical place name of a location where a particular beer or style originated, without it necessarily being brewed at that location any longer. There are numerous examples of this: For example, Drybroughs Edinburgh Ales have been brewed in Alloa, whilst Calders Alloa Ales have been brewed in Edinburgh. Maclays Alloa ales have been brewed in Dunbar, and Dalkeith Ales has been brewed in Edinburgh. Fowler's Prestonpans Strong Ale has been variously brewed in Alloa, Glasgow, Edinburgh, Falkirk and Dunbar, whilst Younger of Alloa's Sweetheart Stout has been brewed in Falkirk, Edinburgh and Glasgow. Cambells Edinburgh Ale is actually brewed in Belgium, and Deuchars IPA (India Pale Ale) whilst it has never been brewed in India, has been brewed in places as diverse as Edinburgh, Newcastle, Montrose and Monkwearmouth. The reasons for this can be many and varied, and include such as vagaries of demand, economies of scale, reciprocal brewing and trading agreements, takeovers and rationalisations and simple logistics. It is quite common for contracting out or licensing agreements to be reached between brewery companies, and this has been the case for many years, and is accepted practice in the industry."

10) The second witness statement, dated 15 November 2005, is by Professor Graham Stewart the Director of the International Centre for Brewing and Distilling (ICBD) and Professor of Brewing located at the Riccarton campus of Heriot-Watt University, Edinburgh. He has held his position with ICBD since 1994. He states that he has produced numerous publications relating to brewing, the brewing industry and brewing techniques, and he lists various titles. He also states:

"6. To the best of my knowledge and belief there are at least three breweries operating currently in Edinburgh, these being McCowans Ale House, The Caledonian Brewing Company and the Stewart Brewing Company Limited. Additionally I hereby state that the ICBD also has its own brewing facilities which are used by industry and academia for teaching, research and development purposes. The brewing facilities at ICBD, by virtue of our licence from Customs and Excise, do not permit the sale of beer products brewed at our brewing facility.

7. It is industry practice to utilize geographical place names for beers and for the particular beer in question not to be brewed at the geographical location. There are numerous examples of these including the world famous NEWCASTLE BROWN ALE which is now brewed in Gateshead and BURTON ALE produced by Youngs of Wandsworth, London."

11) The third witness statement, dated 15 November 2005, is by Russell Sharp a Director and co-founder of the applicant company which was established in December 2003. He states that he has been involved in the brewing and drinks industry all of his professional career, and states that between 1970 and 1986 he held a number of senior executive roles at Chivas Brothers and with J E Seagram. He states that during these years he worked in technical and quality control matters, production, research, innovation and new product development. During this time he states that he was also involved in a number of Trade Mark and Patent matters.

12) Mr Sharp states that he founded the opponent company and was the Managing Director until his retirement in 2003. He states that he has a proven track record of success in research and innovation. Mr Sharp states that the words EDINBURGH STRONG ALE have not been used in relation to beer originating from The Caledonian Brewery since 1869. He states that the first use of these words was in 1992 as “the beer now known as EDINBURGH STRONG ALE was known as Caledonian Strong Ale, McAndrews Scotch Ale, St. James Strong Ale, The Golden Ale and Golden Strong Ale”. He also disputes whether Mr Bell is the owner of The Caledonian Brewery. He states that the brewery situated in Slateford Road, Edinburgh is wholly owned by Scottish and Newcastle Breweries and has been so since March 2004. At exhibit RS1 he provides a copy of the Scottish and Newcastle Plc’s Annual Report dated 2004 where it states on page 1 that the Caledonian Brewery was acquired in February 2004. There is a further reference at page 28 in this publication to the Caledonian Brewery. Mr Sharp also states that there are “at least two other breweries operating currently in Edinburgh, these being the McCowans Alehouse and the Stewart Brewing Company. He also claims that at the time of the EDINBURGH PALE ALE being developed and at the time of the application in suit being filed the Fountain Brewery owned by Scottish and Newcastle Plc was still in operation.

13) Mr Sharp states that other beers have the name “Edinburgh” in them. At exhibit RS3 he provides examples of labels for “Edinburgh No.3” and “Edinburgh Real Ale”, although these are not dated. He also claims that the name “Edinburgh Golden Ale” is in use. Mr Sharp states that his company has made no secret that its beer is brewed in Dunbar and at exhibit RS4 he provides copies of various press reports and also an advertisement, all dated between June –September 2005, which show that the beer is brewed in Dunbar. He also points out that the applicant’s offices, research facilities and marketing and promotional activities are all undertaken from Edinburgh and so the company has strong links with Edinburgh. He states that discussions have been ongoing regarding setting up a brewery in Edinburgh. Mr Sharp states that a number of beers have geographical significance but are not brewed at that geographical location. He cites examples such as *Newcastle Brown Ale* now brewed in Gateshead; *Kronenbourg* (a suburb of Strasbourg) now brewed in Manchester; *Scotch Ale* which is brewed in England, Belgium, France and the USA; *Budweiser* originally from Budweis in Czechoslovakia and now brewed in the UK and USA; *Pils/Pilsner* originally from Pilsen and now brewed everywhere; *Fosters* which is marketed as an Australian beer but is brewed in the UK and elsewhere and *Guinness Irish Stout* which is brewed in a number of locations worldwide including Nigeria. At exhibit RS5 he provides a copy of *Beer* magazine dated September 2005 which has an article regarding the brewing of *Burton Beer* in Wandsworth, London.

14) Mr Sharp states his company has attempted to settle the dispute and offered a letter of consent to the opponent. He states that he set up the Edinburgh Brewing Company as he lived in Edinburgh and had worked there most of his life. He states that his company is not seeking any exclusivity of the word “Edinburgh” as he does not believe that anyone can claim exclusivity in a geographical location.

OPPONENT'S EVIDENCE IN REPLY

15) The opponent filed a second witness statement by Mr Bell dated 16 February 2006. He states that his company is the only commercial brewery operating in Edinburgh, he states that there is an experimental brewery owned by the International Centre for Brewing and Distilling but this does not sell its produce. The other brewery that is operating in Edinburgh is, he states, The Stewart Brewery which produces approximately five barrels a week. He differentiates between styles of beer such as India Pale Ale (IPA) and the use of the name Edinburgh. He states that there has never been an Edinburgh style of beer, and therefore consumers will assume that it is brewed in the City. He points out that both of the applicant's experts have been unable to name the various breweries that they claim are in operation in the City of Edinburgh, despite the numbers being relatively low. He also points out that Newcastle Brown Ale is one of the products given Protected Designation of Origin under EU law. At annex A to his statement he provides a website print out which verifies his claim.

16) Mr Bell states that the applicant's claim that the origin of their beer is "no secret" assumes that the average consumer has read the newspaper article where the location of the brewery is mentioned. Mr Bell states that the average consumer in the public house cannot be assumed to have read this article. Finally he states that the negotiations regarding a settlement were all carried out under letters marked "without prejudice" and so all comments on the issue should be disregarded.

17) That concludes my review of the evidence. I now turn to the decision.

DECISION

18) The first ground of opposition is under section 5(4)(a) which reads:

"5. (4) A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented -

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

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an "earlier right" in relation to the trade mark."

19) In deciding whether the mark in question "EDINBURGH PALE ALE THE EDINBURGH BREWERY COMPANY LIMITED" offends against this section, I intend to adopt the guidance given by the Appointed Person, Mr Geoffrey Hobbs QC, in the *WILD CHILD* case [1998] RPC 455. In that decision Mr Hobbs stated that:

"The question raised by the grounds of opposition is whether normal and fair use of the designation WILD CHILD for the purpose of distinguishing the goods of interest to the applicant from those of other undertakings (see section 1(1) of the Act) was liable to be prevented at the date of the application for

registration (see Article 4(4)(b) of the Directive and section 40 of the Act) by enforcement of rights which the opponent could then have asserted against the applicant in accordance with the law of passing off.

A helpful summary of the elements of an action for passing off can be found in Halsbury's Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165. The guidance given with reference to the speeches in the House of Lords in *Reckitt & Colman Products Ltd v. Borden Inc.* [1990] R.P.C. 341 and *Erven Warnink BV v. J. Townend & Sons (Hull) Ltd* [1979] AC 731 is (with footnotes omitted) as follows:

'The necessary elements of the action for passing off have been restated by the House of Lords as being three in number:

- (1) that the plaintiff's goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature;
- (2) that there is a misrepresentation by the defendant (whether or not intentional) leading or likely to lead the public to believe that the goods or services offered by the defendant are goods or services of the plaintiff; and
- (3) that the plaintiff has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant's misrepresentation.

The restatement of the elements of passing off in the form of this classical trinity has been preferred as providing greater assistance in analysis and decision than the formulation of the elements of the action previously expressed by the House. This latest statement, like the House's previous statement, should not, however, be treated as akin to a statutory definition or as if the words used by the House constitute an exhaustive, literal definition of passing off, and in particular should not be used to exclude from the ambit of the tort recognised forms of the action for passing off which were not under consideration on the facts before the House.'

Further guidance is given in paragraphs 184 to 188 of the same volume with regard to establishing the likelihood of deception or confusion. In paragraph 184 it is noted (with footnotes omitted) that:

'To establish a likelihood of deception or confusion in an action for passing off where there has been no direct misrepresentation generally requires the presence of two factual elements:

- (1) that a name, mark or other distinctive feature used by the plaintiff has acquired a reputation among a relevant class of persons; and
- (2) that members of that class will mistakenly infer from the defendant's use of a name, mark or other feature which is the same or sufficiently similar that the defendant's goods or business are from the same source or are connected.

While it is helpful to think of these two factual elements as successive hurdles which the plaintiff must surmount, consideration of these two aspects cannot be completely separated from each other, as whether deception or confusion is likely is ultimately a single question of fact.

In arriving at the conclusion of fact as to whether deception or confusion is likely, the court will have regard to:

- (a) the nature and extent of the reputation relied upon;
- (b) the closeness or otherwise of the respective fields of activity in which the plaintiff and the defendant carry on business;
- (c) the similarity of the mark, name etc. used by the defendant to that of the plaintiff;
- (d) the manner in which the defendant makes use of the name, mark etc. complained of and collateral factors; and
- (e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.

In assessing whether confusion or deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action.”

20) The date at which the matter must be judged is not entirely clear from Section 5(4)(a) of the Act. This provision is clearly intended to implement Article 4(4)(b) of Directive 89/104/EEC. It is now well settled that it is appropriate to look to the wording of the Directive in order to settle matters of doubt arising from the wording of equivalent provisions of the Act. The relevant date may therefore be either the date of the application for the mark in suit (although not later), or the date at which the acts first complained of commenced – as per the comments in *Cadbury Schweppes Pty Limited v. The Pub Squash Co Ltd* [1981] RPC 429. There is no evidence of the mark in suit being used prior to the date of application.

21) With these considerations in mind I turn to assess the evidence filed on behalf of the parties in the present proceedings as set out earlier in this decision.

22) The opponent claims to have been using its mark “EDINBURGH STRONG ALE” since 1869. However, this claim is disputed by Mr Sharp a director of the applicant company who until 2003 was the Managing Director of the opponent company. He provides a history of the mark which shows that the mark EDINBURGH STRONG ALE was not adopted until 1992. Prior to this time it had been sold under a variety of names such as Caledonian Strong Ale, St. James Strong Ale, The Golden Ale, Golden Strong Ale and McAndrews Scotch Ale. However, it is clear from the images of the four bottles of beer at exhibit JB4 that the opponent has not used the mark “Edinburgh Strong Ale” solus. The labels show that the most

prominent word on each of the four bottles is the word “Caledonian”. The words “Edinburgh Strong Ale” appear above or underneath an image of Edinburgh castle in three of the four labels shown. The other label has three men shown upon it but it is not possible to read the additional matter on the label which might identify who they are in the same way that the image of Edinburgh Castle is identified at the bottom of the label on the other three labels. There are only three neck labels shown. One has “Edinburgh Strong Ale” whilst the other two have “Caledonian Brewery” on them.

23) The opponent has supplied sales figures for its sales of beer under these marks, which whilst not remarkable, are quite respectable. In the six years prior to the application (1998-2003 inclusive) sales averaged just over £96,000 per annum. In order to succeed under this head of opposition, the opponent must show that as at the date of the application, 19 June 2004, it could have prevented use of the applicant’s trade mark under the law of passing off. In my opinion the opponent has shown that at the relevant date it enjoyed goodwill and reputation in its mark “CALEDONIAN EDINBURGH STRONG ALE” in relation to ales.

24) Clearly, the opponent’s reputation is for goods which are encompassed in the applicant’s specification. Whilst there are differences between the various types of beers such as lager and stout, it is not unusual for a company to produce a range of beers, lagers and stouts under the same mark. In this case the opponent’s mark is CALEDONIAN EDINBURGH STRONG ALE which is used on strong ale. The dominant and distinctive part of the mark is, in my opinion, Caledonian. The words “Strong Ale” are clearly descriptive of the product, whilst the word “Edinburgh” would indicate that the ale was brewed in or around the city.

25) The opponent contends that others use the word EDINBURGH in their marks. At exhibit RS3 Mr Sharp provided copies of two labels for “Edinburgh No.3” and “Edinburgh Real Ale”. However, the labels were not dated, nor was any evidence of use of these labels provided, although the manufacturer was identified.

26) There is clearly a similarity between the marks of the two parties. The mark in suit is EDINBURGH PALE ALE THE EDINBURGH BREWERY COMPANY LIMITED whilst the opponent’s mark is CALEDONIAN EDINBURGH STRONG ALE. The words “PALE ALE” and “STRONG ALE” respectively describe the actual contents or product. Both clearly have the word EDINBURGH within them, but I feel that the average consumer is likely to associate the word with the beer being brewed in or around the City. The word “CALEDONIAN” at the start of the opponent’s mark is the most prominent word and the most distinctive. The name of the applicant company also forms part of their mark.

27) In my opinion, the differences between the marks are more than enough to prevent members of the relevant public, adults over the age of eighteen, from being led to believe that the goods offered by the applicant are goods of the opponent or that the businesses are connected. The lack of misrepresentation means that the ground of opposition under 5(4)(a) therefore fails.

28) The next ground of opposition is under Section 3(3)(b) of the Act which states:

“3(3). A trade mark shall not be registered if it is——

(b) of such a nature as to deceive the public (for instance as to the nature, quality or geographical origin of the goods or service).”

29) The opponent claims that use of the trade mark would deceive the public as to the geographical origin of the goods. In its submissions the opponent states:

“The mark EDINBURGH PALE ALE THE EDINBURGH BREWERY COMPANY LIMITED is misleading to the public, who will believe that products sold under the Mark were brewed in Edinburgh.”

30) There is no evidence that there is such a thing as Edinburgh ale. The applicant has relied upon other instances of beers being brewed in towns other than that implied by their name. There is a dearth of case law in relation to this part of the law. In “Kerly’s Law of Trade Marks and Trade Names” (fourteenth edition) it states at Chapter 8-203:

“Section 3(3)(b) of the 1994 Act prevents the registration of deceptive marks, a notion familiar in the UK from s.11 of the 1938 Act. The paragraph itself cites some non-exhaustive examples: trade marks which are of such a nature as to deceive the public as to nature, quality or geographical origin of the goods or services. In general, if a mark gives rise to an expectation which will not be fulfilled, then registration will be refused. The expectation (and hence the objection) must be a real one, as opposed to something obscure or fanciful, arising from the mark itself. There are two features of this provision to note. First, it is an absolute and not a relative ground for refusal. It is concerned with deceptiveness which is inherent in the mark itself, as opposed to deception caused by the similarity of the mark to another. [Relying on *Jardex* [1946] R.P.C. 63, an opponent tried to use s.3(3)(b) against GALAXY for “Preparations for killing weeds and destroying vermin”, citing public policy in the risk to children accustomed to eating the chocolate so named. This ground failed, because the mark in itself would not deceive the public. The opposition succeeded under s.5(3): GALAXY, May 19, 2000, Regy.] The latter type of objection arises under the relative grounds in section 5. Likewise, an objection that use of a mark would result in passing off arises under section 5(4)(a) and not under section 3(3)(b). Secondly, the paragraph refers expressly to deception caused by the nature of the mark itself. This does not mean that the mark has to be considered in a vacuum. It must be considered against the goods or services applied for and in the general context of the relevant trade.”

31) I accept that the public will expect that the beers and ales are brewed in or around the city of Edinburgh. The applicant has provided a number of examples of beers with geographical locations within the name being brewed considerable distances from the stated location. I also take into account that the applicant has yet to use its mark and has indicated that it may purchase a brewery within the city of Edinburgh, although if it were brewed nearby I do not believe that the relevant consumers would have been misled. I do not consider that the public would be deceived as to the geographical origin of the goods and so dismiss the objection under section 3(3)(b) of the Act.

32) The last ground of opposition is under Section 3(6) which reads:

“3(6) a trade mark shall not be registered if or to the extent that the application is made in bad faith.”

33) Section 3(6) has its origins in Article 3(2)(d) of the Directive, the Act which implements Council Directive No. 89/104/EEC of 21 December 1988 which states:

“Any Member State may provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where and to the extent that...

(c) the application for registration of the trade mark was made in bad faith by the applicant.”

34) The Directive gives no more clue as to the meaning of “bad faith” than the Act. Subsequent case law has avoided explicit definition, but has not shirked from indicating its characteristics. In *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367, Lindsay J stated at page 379:

“I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context; how far a dealing must so fall-short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances.”

35) The Privy Council considered earlier authorities in *Barlow Clowes International Ltd (in liquidation) & Others v Eurotrust International Limited & Others*, (Privy Council Appeal No 38 of 2004 on which judgment was delivered on 10 October 2005 - not reported at the time of writing). In particular, their Lordships considered a submission from Counsel that an inquiry into the defendant’s views about standards of honesty is required. The following passage from Lord Hoffman’s judgment sets out the position as follows:-

“[Counsel for the defendant] relied upon a statement by Lord Hutton in *Twinsectra Ltd v Yardley* [2002] 2 AC 164, 174, with which the majority of their Lordships agreed:

“35. There is, in my opinion, a further consideration which supports the view that for liability as an accessory to arise the defendant must himself appreciate that what he was doing was dishonest by the standards of honest and reasonable men. A finding by a judge that a defendant has been dishonest is a grave finding, and it is particularly grave against a professional man, such as a solicitor. Notwithstanding that the issue arises in equity law and not in a criminal context, I think that it would be less than just for the law to permit a finding that a defendant had been ‘dishonest’ in assisting in a breach of trust where he knew of the facts

which created the trust and its breach but had not been aware that what he was doing would be regarded by honest men as being dishonest.

“36. I consider that the courts should continue to apply that test and that your Lordships should state that dishonesty requires knowledge by the defendant that what he was doing would be regarded as dishonest by honest people, although he should not escape a finding of dishonesty because he set his own standards of honesty and does not regard as dishonest what he knows would offend the normally accepted standards of honest conduct.”

15.....Their Lordships accept that there is an element of ambiguity in these remarks which may have encouraged a belief, expressed in some academic writing, that *Twinsectra* had departed from the law as previously understood and invited inquiry not merely into the defendant’s mental state about the nature of the transaction in which he was participating but also into his views about generally acceptable standards of honesty. But they do not consider that this is what Lord Hutton meant. The reference to “what he knows would offend normally accepted standards of honest conduct” meant only that his knowledge of the transaction had to be such as to render his participation contrary to normally acceptable standards of honest conduct. It did not require that he should have had reflections about what those normally acceptable standards were.

16....Similarly in the speech of Lord Hoffmann, the statement (in paragraph 20) that a dishonest state of mind meant “consciousness that one is transgressing ordinary standards of honest behaviour” was in their Lordships’ view, intended to require consciousness of those elements of the transaction which make participation transgress ordinary standards of honest behaviour. It did not also require him to have thought about those standards were.”

36) On the basis of these authorities it is clear that a finding of bad faith may be made in circumstances which do not involve actual dishonesty. Furthermore, it is not necessary for me to reach a view on the applicant’s state of mind regarding the transaction if I am satisfied that their action in applying for the mark in the light of all the surrounding circumstances would have been considered contrary to normally accepted standards of honest conduct.

37) It is not disputed that the opponent has been using the mark CALEDONIAN STRONG ALE since 1992. Indeed Mr Sharp who is a Director and co-founder of the applicant company acknowledges that when he was the Managing Director of the opponent company he himself coined the mark CALEDONIAN EDINBURGH STRONG ALE. The mark was used on an ale which had previously been sold under a number of names since the products inception in 1869. I have found earlier in this decision that there would be no misrepresentation if the applicant used the mark in suit due to the differences between the mark in suit and the mark actually used by the opponent. The section 3(6) ground therefore fails.

COSTS

38) As the applicant is successful it is entitled to a contribution towards its costs. I order the opponent to pay the applicant the sum of £800. This sum to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 7th day of August 2006

**George W Salthouse
For the Registrar,
the Comptroller-General**