

O-375-14

TRADE MARKS ACT 1994

APPLICATION 2598197 BY MR RAY BLACKMAN

TO REGISTER A FIGURATIVE TRADE MARK

AND

OPPOSITION 103048 BY DLS SECURITY,

A PARTNERSHIP CONSISTING OF MR MARK WALSH, MRS

MARGARET WALSH AND MR JUSTIN WALSH

Background and pleadings

1. On 17 October 2011, Ray Blackman (“the applicant”) applied to register the trade mark shown below.



2. It was accepted and published in the Trade Marks Journal on 25 November 2011 in respect of the following services in class 37.

‘Installation and maintenance of electronic security systems including CCTV, intruder alarms, access control, fire alarms.’

3. DLS Security, a partnership consisting of Mr Mark Walshe, Mrs Margaret Walshe and Mr Justin Walshe, (“the opponent”) opposes the application on the basis of Section 5(4)(a) of the Trade Marks Act 1994 (“the Act”). The opponent claims to have an earlier right to DLS, DLS ALARMS and DLS SECURITY. It says that the first two signs have been used by it, or by its predecessors in business, in the Bedfordshire area, since 1981, in relation to ‘services supplying, fitting, servicing and maintaining alarm systems for both private and commercial customers’. The third sign, DLS SECURITY, is said to have been used by the opponent (in the same area and in relation to the same services) since July 2011.

4. The opponent also claims that the application should be refused under section 3(6) of the Act because it was made in bad faith. The opponent claims that the applicant was aware of the opponent’s business and history since at least as early as August 2011 and is under the mistaken belief that the placing into liquidation of the opponent’s predecessor in business, Security Specialists Limited, in July 2011, extinguished the goodwill in the business. On the contrary, the opponent claims that the goodwill in that business, and previous predecessors in business, survived that liquidation and is now owned by the opponent.

5. The applicant filed a counterstatement denying the claims made. I note, in particular, that the applicant:

- Claims that DLS Security Limited, and various domain names including 'dlssecurity' and 'dlsalarms', were registered by the applicant, and that the logo which forms the opposed trade mark was commissioned in August 2011.
- The figurative element (shield) of the applicant's mark is not similar to any sign used by the opponent.
- Sometime after September 2011 (but before 10 October 2011), the opponent started trading as DLS Security, and did not therefore use the word ALARM in its trading name.
- Overall, the trading style of the opponent is not liable to be confused with the mark of the applicant.
- Between 2006 and 2011, Mr Mark Walshe and Mrs Margaret Walshe were Directors of, and operated, a company called The Security Specialists Limited, which went into receivership (actually liquidation) in July 2011.
- The Security Specialists Limited traded exclusively as 'Security Specialists Ltd' and not as DLS Alarms or DLS Security.
- The opponent is prevented from operating in the supply and maintenance of accredited security systems due to its exclusion from the relevant trade bodies and removal from the list of ACPO police approved installers. There cannot therefore be any conflict with the applicant's use of its mark.

The evidence

6. Both sides filed evidence. The opponent's evidence takes the form of a witness statement by Mr Mark Walshe. I note the following points from his evidence.

- Between 1981 and 2006, Mr Walshe's late father, Gerrard Walshe, operated as a sole trader under the marks DLS and DLS ALARMS¹.
- In January 2006 Mr Walshe (senior) sold his business, and the associated goodwill, to DLS Alarms Limited².

¹ Mr Washe provides some examples of use from this time as pages 1 and 2 of exhibit MW1, but as this use does not appear to be disputed, it is not necessary to say any more about it.

² A copy of the sale agreement is exhibited at pages 3 and 4 of MW1, which shows that the business was sold as ongoing concern.

- DLS Alarms Limited was solely owned and operated by the witness and his brother, Mr Justin Walshe.
- Between 2006 and 2008 DLS Alarms Limited continued to offer alarm services under the marks DLS and DLS ALARMS³.
- In February 2008, DLS Alarms Limited was placed into voluntary liquidation. Mr Walshe claims that the *“goodwill, trading names and other assets of DLS Alarms Limited were purchased by The Security Specialists Limited through Wilson Field insolvency practitioners in Sheffield”*. No corroborating documents are provided to support this claim.
- The Security Specialists Limited was owned and operated by the witness, Mrs Margaret Walshe and Mr Justin Walshe.
- Between 2008 and 2011, The Security Specialists Limited offered alarm services under the marks THE SECURITY SPECIALISTS, DLS and DLS ALARMS.
- From March 2011, The Security Specialists Limited commenced trading under DLS SECURITY⁴.
- In July 2011, The Security Specialists Limited was placed into voluntary liquidation.
- Mr Walshe claims that the opponent purchased the goodwill, trading names and other assets from the liquidator. He exhibits⁵ a copy of an invoice dated 8 August 2011 from W & H Peacock Auctioneers and Valuers, which he says confirms this sale⁶. He also provides⁷ a copy of an order initially issued by DLS Security on 12 July 2011, but returned by the client on 11 August 2011 (for a replacement alarm), which he says shows the continuation of the business after the sale.
- Mr Walshe states that the annual turnover of the opponent’s business (and that of its predecessors) consistently exceeded £500k and that an average of

³ Mr Walshe provides various examples of such use as pages 5-10 of exhibit MW1, but as this use does not appear to be disputed, it is not necessary to say any more about it.

⁴ Pages 14-20 of exhibit MW1 consists of a number of invoices to The Security Specialists trading as DLS Security, and some bank statements showing that an account existed in the latter name. These documents are dated between 28 February and 29 July 2011.

⁵ Pages 24-26 of MW1

⁶ The invoice refers to the sale of the customer/client list and also the company name and logos, but these are not specified.

⁷ As page 27 of MW1

£8k per annum was spent promoting the marks, including advertisements in local publications such as The Vine and Dunstable Council Diary and The Bedfordshire Fire Service Diary. The name DLS Security is also promoted via signs on the opponent's four vans.

- Mr Walshe claims that, at the date of his statement in August 2012, the opponent had 2000 active customer accounts.
- The applicant is the sole owner of DLS Security Limited, which was incorporated on 4 August 2011 (i.e. just after The Security Specialists Limited went into liquidation).
- Shortly after the opponent started trading, it came to its attention that the applicant had begun to use the marks DLS or DLS ALARMS. One of the opponent's customers forwarded it a letter dated 4 October 2011 which they had received from [the applicant's] DLS Security Limited⁸. The letterhead also includes the mark the subject of these proceedings. This letter stated that The Security Specialists Limited "*who traded as DLS Alarms based in Dunstable*" had gone into liquidation. The letter invites the recipient to contact a company called Alphasec (which is also owned by the applicant) in order to maintain cover for an existing security system. The letter points out that "*the former directors and shareholders of The Security Specialists Limited are not connected with the DLS Alarms Group or any associated company*".
- Mr Walshe states that at least 12 of the opponent's customers received this letter.
- In late 2011, Alphasec LLP circulated a flyer entitled "*Important Announcement, Your Security Compromised?*" The heading also refers to "*DLS Alarms, Based in Dunstable, Bedfordshire, IN LIQUIDATION*". It states that "*DLS Alarms Ltd and The Security Specialists Ltd are two of the identities that traded as DLS Alarms*". It notes that within a day of DLS Alarms Ltd going into receivership at least two of the directors were actively promoting and trading as DLS Alarms from the same premises and telephone number as before. The flyer was plainly intended to encourage former customers of The Security Specialists Limited to switch cover for their security systems to Alphasec LLP.

⁸ A copy of the letter is at page 32 of MW1

7. The applicant's evidence takes the form of a witness statement by the applicant. I note the following points.

- The applicant has also incorporated a company called DLS (UK) Alarms Limited, which is currently dormant. This appears to be a defensive registration.
- The applicant claims that the opponent has a history of trading under a number of different styles, the only consistent factor appearing to be the use of a portcullis device.
- It is said that, following the liquidation of DLS Alarms Limited in 2008, the partners in the opponent's partnership were prohibited by section 216 of the Insolvency Act 1986 from forming a company called, or trading as, DLS Alarms. Further, the persons concerned were also prohibited from forming a company, or trading under, any name similar enough to DLS Alarms so as to suggest an association with that company. Therefore the persons in the partnership that is the opponent were prohibited from trading as DLS, DLS ALARMS or DLS SECURITY.
- Further, Mr Mark Walshe was disqualified from acting as a Director following the liquidation of DLS Alarms Limited, therefore the directors of The Security Specialists Limited were Mrs Margaret Walshe and Mr Justin Walshe.
- An enquiry of Ms Natalie Simpson of Wilson Field, the liquidator of DLS Alarms Limited, indicated that the only asset sold to The Security Specialists Limited was plant and machinery. The sale did not include the goodwill in the earlier business.
- Mr Blackman exhibits⁹ pictures of an engineer's report dated May 2011, and other branding material showing that The Security Specialists Limited traded under that name or (on an outside alarm bell cover) as TSS.
- The domain name 'thesecurityspecialists.co.uk' was registered in May 2008 and continued to be used until July 2011, further demonstrating the trading style of The Security Specialists Limited.
- An invoice issued to a customer of the opponent on 26 September 2011 shows it trading as DLS SECURITY¹⁰. The invoice asks the customer to note the change of business name. Mr Blackman says this is consistent with a change of trading style from The Security Specialists Ltd to DLS SECURITY following the liquidation of the former.

⁹ Appendix 2 to Mr Blackman's statement

¹⁰ Appendix 5 to Mr Blackman's statement

The hearing

8. A Hearing took place on 31 July 2014. The applicant appeared in person. The opponent was not represented.

The Law

9. Section 5(4)(a) states:

“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.”

10. Halsbury’s Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165 provides the following analysis of the law of passing off. The analysis is based on guidance given in 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. It 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.”

11. 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.”

12. There appears to be two main facts in dispute. Firstly, whether at the date of the opposed application on 17 October 2011 (“the relevant date”), the opponent owned a protectable goodwill in a business known as DLS Alarms and/or DLS Security. Secondly, whether, even if it did, the use of the applicant’s mark is liable to cause deception through misrepresentation. The first question breaks down into four sub-issues:

- i) Whether The Security Specialists Ltd bought the goodwill in the long established local alarms business run by DLS Alarms Ltd.
- ii) Whether The Security Specialists traded as DLS Alarms or DLS Security between 2008 and the date of liquidation in July 2011.
- iii) Whether the opponent acquired the goodwill in the business run by The Security Specialists Ltd.
- iv) Whether the opponent traded as DLS Security prior to any trade under that name by the applicant.

13. I remind myself what goodwill is. In *Inland Revenue Commissioners v Muller & Co's Margarine Ltd*¹¹ it was described like this:

“What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start.”

14. Turning then to the first sub-issue, I find that the opponent has not established that The Security Specialists Ltd purchased the goodwill in the business operated by DLS Alarms Ltd. This is because a) the opponent has not provided any documentation to support Mr Mark Walshe’s bare assertion that it did, and b) Mr Blackman’s hearsay evidence that Ms Simpson told him that the liquidator did not sell the goodwill in the business was not answered by any evidence in reply from the opponent, despite it being given the opportunity to do so.

15. As regards the second sub-issue, I find that The Security Specialists Ltd was also known as DLS ALARMS at the time it went into liquidation in July 2011. It is true that the opponent’s evidence to this effect is little more than assertion, and Mr Blackman’s evidence is that it traded solely as The Security Specialists. There is no dispute that this was one of the names by which the business was known, so Mr Blackman’s documentary evidence showing use of this name on alarm covers etc. does not take the matter any further. However, I find the content of the letter and flyer he arranged to be issued in October and late 2011 to ex-customers of The Security Specialists Ltd illuminating. Those contemporaneous documents state, in terms, that The Security Specialists Ltd traded under that name and as DLS ALARMS. This statement accords with Mr Walshe’s evidence. It is also consistent with Mr Blackman’s clear attempt to acquire the customers of the The Security Specialists Ltd using a trade mark featuring the words ‘DLS Alarms Group’. He

¹¹ [1901] AC 217,

appears to have expected that name to be familiar to those concerned, despite his evidence in these proceedings that DLS ALARMS had not been used for over 3.5 years at the time that the letter and flyer were issued. Whether The Security Specialists Ltd should have been representing itself as DLS ALARMS is another matter, which may be for others to assess. For the purposes of the law of passing off, it is sufficient that DLS ALARMS was factually distinctive of The Security Specialists Ltd as at July 2011. I find it was.

16. As regards the third sub-issue, I find that the Mr Mark Walshe purchased the business of The Security Specialists Ltd in August 2011 on behalf of the partnership. Mr Blackman does not appear to dispute this as such, although he naturally takes issue with whether that included the name DLS ALARMS. It is true, as is often the case in disputes between small businesses, that the documentary evidence could have been clearer in several respects. However, the relevant sale invoice makes express reference to the sale of the customer lists and rights to the telephone numbers of the liquidated company. This indicates that the business was sold as a going concern. In these circumstances, it will usually be inferred that the sale included the goodwill in the previous business. If that business was known, inter alia, as DLS ALARMS, it follows that any unregistered rights in that name passed with the goodwill of the business.

17. As regards the fourth sub-issue, I find that the opponent started trading externally as DLS SECURITY from at least 12 July 2011 (i.e. around the time that The Security Specialists Ltd went into liquidation). The order note of that date issued to a customer¹² establishes this. This is likely to be the change of business name referred to in the later invoice to one of the opponent's customers dated 26 September 2011¹³. Earlier instances of uses of DLS SECURITY in evidence, on invoices from suppliers and in bank statements, probably show preparations to trade under that name in anticipation of the liquidation of The Security Specialists Ltd. The first recorded use by the applicant of DLS SECURITY LTD is in a letter dated 4 October 2011 to customers of The Security Specialists Ltd. The opponent is therefore the first user of DLS SECURITY.

18. Having established that the opponent owned the goodwill in an alarms business at the relevant date, and that the business was known as DLS SECURITY and entitled to be regarded as a successor in business to The Security Specialists Ltd, which traded, inter alia, as DLS ALARMS, it is also necessary for me to consider whether the goodwill in question was sufficient to be protected under the law of passing off.

¹² Copy at page 27 of MW1

¹³ Appendix 5 to Mr Blackman's statement

19. In *Hart v Relentless Records* [2003] FSR 36, Jacob J. (as he then was) stated that:

“62. In my view the law of passing off does not protect a goodwill of trivial extent. Before trade mark registration was introduced in 1875 there was a right of property created merely by putting a mark into use for a short while. It was an unregistered trade mark right. But the action for its infringement is now barred by s.2(2) of the Trade Marks Act 1994. The provision goes back to the very first registration Act of 1875, s.1. Prior to then you had a property right on which you could sue, once you had put the mark into use. Even then a little time was needed, see per Upjohn L.J. in BALI Trade Mark [1969] R.P.C. 472. The whole point of that case turned on the difference between what was needed to establish a common law trade mark and passing off claim. If a trivial goodwill is enough for the latter, then the difference between the two is vanishingly small. That cannot be the case. It is also noteworthy that before the relevant date of registration of the BALI mark (1938) the BALI mark had been used “but had not acquired any significant reputation” (the trial judge's finding). Again that shows one is looking for more than a minimal reputation.”

20. However, a small business which has more than a trivial goodwill can protect signs which are distinctive of that business under the law of passing off even though its reputation may be small. See, for example, *Stacey v 2020 Communications*¹⁴, *Stannard v Reay*¹⁵, *Teleworks v Telework Group*¹⁶ and *Lumos Skincare Limited v Sweet Squared Limited and others*¹⁷.

21. According to Mr Mark Walshe, the opponent was consistently turning over £500k per annum and had 2000 customers in August 2012. Given the history of the business, the period over which existing alarms systems are likely to require maintenance, and the applicant's attempt in late 2011 to acquire ex-customers of The Security Specialists Ltd, I doubt that the position was any less favourable to the opponent at the relevant date. I find that the opponent's goodwill at the relevant date, although modest, was sufficient to be protected under the law of passing off.

22. I therefore turn to the second fact in dispute, namely whether the applicant's mark is sufficiently similar to the signs that I have found to be distinctive of the opponent's business to amount to a misrepresentation to the public. As stated by *Lord Oliver of Aylmerton in Reckitt & Colman Products Ltd. v. Borden Inc.*¹⁸, the question on the issue of deception or confusion is:

“is it, on a balance of probabilities, likely that, if the appellants are not restrained as they have been, a substantial number of members of the public

¹⁴ [1991] FSR 49

¹⁵ [1967] FSR 140

¹⁶ [2002] RPC 27

¹⁷ [2013] EWCA Civ 590

¹⁸ [1990] R.P.C. 341 at page 407

will be misled into purchasing the defendants' [services] in the belief that [they are] the respondents'[services]'".

23. The applicant points to various differences between the marks, including the presence of a shield device in its mark, and that the opponent's predecessor in business often used a portcullis device (and, of course the name The Security Specialists Ltd). However, the most distinctive feature of the applicant's mark is plainly the letters and words DLS ALARMS GROUP. I do not consider that the differences identified by the applicant will be sufficient to prevent a substantial number of the opponent's customers, or potential customers, from believing that the applicant's mark is used by a successor in the business of The Security Specialists Ltd, which also traded as DLS ALARMS.

24. I note that the applicant's letter and flyer to the customers of The Security Specialists Ltd disclaimed any connection to the former directors and shareholders of that company. However, this makes no difference because i) the disclaimer is not part of the mark applied for, ii) I must consider the effect of normal and fair use of that mark, without an added disclaimer, and iii) in any event, the disclaimer does not say that the applicant's business isn't the successor in business to The Security Specialists Ltd, only that it is being run by different people.

25. I therefore find that normal and fair use of the mark applied for at the relevant date would have constituted a misrepresentation to the public.

26. Given that the application covers identical services to those covered by the opponent's earlier right, it follows that a significant level of confusion or deception amongst customers is liable to damage the opponent's goodwill, e.g. through diversion of business.

27. I therefore find that use of the applicant's mark at the relevant date was liable to be restrained under the law of passing off. The opposition under section 5(4)(a) therefore succeeds.

The Bad Faith Ground

28. It is clear from the evidence, and from the submissions made by Mr Blackman at the hearing, that he felt entitled to adopt the trade mark and take the other actions he did because of the Walshes' repeated business failures, their continuing to trade under the name DLS Alarms/Security, despite applicable statutory restrictions, and a belief that his companies could offer a better and more reliable service. However, no matter how justified, these beliefs did not entitle Mr Blackman to appropriate the residual goodwill and reputation of DLS Alarms Limited and The Security Specialists Ltd, without paying for it, through opportunistic trade mark, company and domain name registrations.

29. I do not regard the bad faith claim as giving rise to any separate issues compared to the passing off right ground. Therefore, the opposition under section 5(4)(a) having succeeded, I do not consider it necessary to make any formal finding on the section 3(6) ground.

Costs

30. The opponent has been successful and is entitled to a contribution towards its costs. The opponent asked to be heard. The applicant did not think that a hearing was necessary, was concerned that a hearing would add to his costs, and therefore made a related application for security for costs. A case management conference (“CMC”) was held by teleconference on 21 May 2014. The opponent was represented by Humphreys & Co., Solicitors, which had represented the opponent from the start of the proceedings. Mr Blackman represented himself. I rejected the applicant’s request for security for costs and directed that arrangements should be made for the opponent to be heard. I also directed that the applicant should be able to join the substantive hearing by teleconference, if he chose to do so (which he did).

31. In the event, despite having requested the hearing, the opponent did not attend. The opponent therefore incurred no costs in that respect. It must have incurred costs in relation to the CMC which preceded the hearing, but given its failure to attend the hearing discussed at the CMC, I do not consider it appropriate to require the applicant to pay the opponent anything toward the cost of the 21 May 2014 CMC.

32. An earlier CMC was held on 22 November 2013. That was required in order to resolve issues with the applicant’s evidence, including a failure to copy the evidence to the opponent, despite requests to do so. The outcome was that Mr Blackman was given 14 days to copy his evidence to the opponent. The opponent is entitled to a contribution towards the cost of that CMC, which I assess at £150.

32. I order Mr Ray Blackman to pay DLS Security, a partnership consisting of Mr Mark Walshe, Mrs Margaret Walshe and Mr Justin Walshe the sum of £1500 as a contribution towards their costs. This consists of the £150 in respect of the CMC and £1350 in respect of the remainder of these proceedings. The sum is calculated as follows:

£550 towards the cost of preparing a notice of opposition and reviewing the counterstatement (which includes recovery of the £200 official fee).

£800 towards the cost of filing evidence and reviewing the applicant’s evidence.

£150 towards the cost of the CMC held on 22 November 2013.

33. Subject to an appeal, the above sum should be paid within seven days of the expiry of the appeal period.

Dated this 26th day of August 2014

**Allan James
For the Registrar**