

IN THE PATENTS COUNTY COURT
COMMUNITY TRADE MARK COURT

Rolls Building
7 Rolls Buildings
Fetter Lane
London EC4A 1NL

Date: 18/12/2012

Before :

HIS HONOUR JUDGE BIRSS QC

Between :

REDD SOLICITORS LLP

Claimant

- and -

(1) RED LEGAL LIMITED

(2) MARTIN CRIGHTON

Defendants

Michael Hicks (instructed by **Bristows**) for the **Claimant**
Mark Vanhegan QC (instructed by **EMW Law LLP**) for the **Defendants**

Hearing date: 6th November 2012

Judgment

His Honour Judge Birss QC :

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Introduction

1. This is an action for trade mark infringement brought by the claimant, a firm of solicitors called Redd Solicitors LLP (“Redd”). Redd was started in 2004 and is a firm specialising in intellectual property law. The claim is brought against the first defendant, a firm of licensed conveyancers called Red Legal Ltd (“Red Legal”). The second defendant is a director of Red Legal. Red Legal started in business in 2009. It uses the name “red legal”, has a website at www.redlegal.co.uk and uses the following red coloured logo:



2. Mr Michael Hicks appears for Redd instructed by Bristows and Mr Mark Vanhegan appears for Red Legal instructed by EMW Law LLP. The action relates to two trade marks and it is convenient to separate them.
3. First is Redd’s claim for infringement of Community Trade Mark No. 0003865961 registered for the word REDD in respect of “legal services”. That mark was applied for by Redd on 10th June 2004 and registered on 27th July 2005.
4. Redd contends that the REDD mark has been infringed by Red Legal pursuant to Art 9(1)(b) and 9(1)(c) of Council Regulation 207/2009 of 26th February 2009 (the CTM regulation).
5. Red Legal denies infringement, denying confusing similarity and also relies on the own name defence (Art 11 of the CTM regulation). Furthermore and importantly Red Legal contends that the REDD mark should be partially revoked on the ground that Redd only practises in a specific and focussed area (intellectual property law) and so the specification of services for which the REDD mark is registered should be narrowed either to “legal services relating to the field of intellectual property law” or at least to “legal services other than those relating to the conveyancing of residential property”. The objective of this partial revocation from Red Legal’s point of view is to produce a specification of services for the REDD mark which does not cover the services offered by Red Legal. That then has an impact on the question of infringement.
6. Redd’s other case is based on a UK registered trade mark No. 2 550 015 for the word RED in respect of various services in class 45 as follows:

Legal services; legal advice for businesses; legal advice for schools; legal advice over the internet; legal advice relating to corporate, technology, media, intellectual property, sports, commercial, employment, commercial property and planning, conveyancing, family, trust, wills and probate, personal injury, motoring, criminal, immigration, equine, agricultural, insolvency and debt recovery law and commercial and personal

litigation; information and consultancy services relating to the aforesaid.

7. The RED mark was applied for on 10th June 2010 by a firm of solicitors called Darbys. In settlement of a dispute between Redd and Darbys, Redd acquired the trade mark application on 28th March 2011. The RED mark was registered on 20th May 2011.
8. In relation to the RED mark Red Legal accepts for the purposes of this trial that Red Legal's activity is such as to give rise to a likelihood of confusion with the RED mark as registered (including as it does residential conveyancing). However Red Legal rely on the own name defence (section 11(2) of the Trade Marks Act 1994 Act) and the prior use in a locality defence (section 11(3) of the 1994 Act). Moreover Red Legal contends that the RED mark is invalid under s5(4) of the 1994 Act because at the date it was applied for Red Legal had already been trading for a year. Thus it contends that use of the RED mark was liable to be prevented by the law of passing off either generally or at least to the extent that the mark covers residential conveyancing. Red Legal also contends that the RED mark is invalid under s3(6) of the 1994 Act (bad faith) because once it was acquired by Redd, the applicant (Redd) had no intention of using it.
9. Finally there is the question of the personal liability of Mr Crighton for the acts of Red Legal in relation to infringement of both marks.

The trial

10. For the claimant I heard from Simon Chalkley, a partner in Redd. He was the sole witness for Redd. The primary aspect of his evidence which was the subject of cross-examination was about the services offered by Redd. There were also points relating to a s3(6) bad faith question in relation to the RED mark. Mr Vanhegan did not criticise Mr Chalkley. He was a good witness.
11. For the defendants I heard from Mr Crighton and Mr Smith, the founders of Red Legal. Mr Smith was the principal witness for Red Legal. The major issues which were the subject of cross-examination of both witnesses were the nature and extent of searches carried out by these two men when they set up Red Legal and the scope of Red Legal's business in the period up to June 2010. Mr Hicks did not criticise either witness. They were both good witnesses.

The facts

12. Redd was set up in June 2004 by Mr Chalkley, Mr Charters MacDonald-Brown and Ms Sara Ashby. Mr MacDonald-Brown and Ms Ashby specialise in intellectual property litigation while Mr Chalkley is a non-contentious intellectual property lawyer.
13. The firm started as a partnership but incorporated on 31 October 2004. Mr Chalkley explained how the name came about. They did not want to use the surnames of the founding partners and wanted a brand name which was neither an acronym nor contained the names of the partners. They wanted a single word with a modern feel. Mr Chalkley and Ms Ashby had been thinking of the idea of a colour and had both

come up with the name “red”. When the three partners met together they stumbled on the word REDD in dictionaries. It was a word none of them had encountered before. The word was defined as a verb of Scottish or Northern English derivation with the following meanings:

“clear (a space, way, etc); remove (an obstruction or blockage); clean out; 2a: settle, decide (a dispute, plea etc); put an end to (a quarrel or confusion). 2b: part, separate (combatants); 3a: arrange, put right, clear up (business, affairs, etc); 3b: disentangle, unravel, sort out...”

14. Furthermore a “redder” (noun) was defined as “a person who redds” and “one who tries to separate combatants or settle a quarrel”.
15. Mr Chalkley explained that from their perspective the word “redd” was almost too good to be true. It was highly suggestive of the colour red, which they already liked but by adding the extra silent “d” they had arrived at a brand name which had a secondary meaning which reflected the nature of their business and yet, because it had long fallen out of use, was capable of functioning well as a trade mark. It was put to Mr Chalkley in cross-examination that Redd had therefore positively rejected RED as a trade mark in preference for REDD because the founders were aware of other businesses using RED as a mark. He did not agree and I reject that suggestion. The founders chose REDD on its own merits, not because of the names of other businesses.
16. Trade mark searches were done as well as searches at Companies House and for existing internet domains. A logo was designed. It has been used ever since. In the logo the word “Redd” is written in a red colour as is the firm’s full name “Redd Solicitors LLP”. A coloured example from the firm’s headed notepaper (in the letter before action in this case) is:



17. Redd has also used other forms of marketing material which emphasises a red colour.

18. After starting with a website at “www.redlaw.co.uk” from July 2004 Redd used “www.see-redd.com” as the address for their website.
19. By 2009/2010 Redd had built up a successful practice as a firm of solicitors. The focus of the practice is intellectual property law. As a firm of intellectual property solicitors, Redd has built up substantial goodwill and enjoys an enviable reputation. However, given the partial revocation case it is necessary to delve into the details of Redd’s business in more depth. A detailed exposition of the nature and scope of Redd’s practice was given by Mr Chalkley in his evidence.
20. Mr Chalkley gave evidence that Redd’s clients include UK and overseas law firms, trade mark and patent attorney firms, publicly owned companies (both UK and overseas), private limited companies (including not for profit organisations (English and overseas), trade associations, owner managed business and, on occasion, individuals.
21. Redd’s case was that, although it is a firm of solicitors with a strong focus on intellectual property law, it was not correct to say that the firm only provides legal services in the field of intellectual property law. Mr Chalkley’s evidence was that all three founders had a broad legal experience before they left Gouldens and that, although at the time they set up Redd in 2004 all three had substantial experience in intellectual property matters, they had not stopped being general lawyers. He stated that it was difficult to pigeon-hole “intellectual property legal services” and that, while some matters are indisputably intellectual property matters such as giving an opinion on whether a product infringes a patent, in many cases an “intellectual property” lawyer is doing nothing different from that which a general lawyer does. In cross-examination Mr Chalkley said that he had clients for whom he did no intellectual property related work at all. Mr Chalkley illustrated his point by reference to a patent licence as follows:

By way of illustration, on one level, a patent licence is 'intellectual property work' in that it is legal work in relation to a property right which is called an 'intellectual property right'. On another level, it is a commercial transaction, principally a matter of contract law, but where considerations of competition law, regulatory law, law as relates to unfair contract terms, choice of law and jurisdiction, relevant tax issues (e.g.: regarding withholding tax treatment of royalties), all come into play. (Indeed, commercial transactions frequently involve advising on equitable title and security interests relating to corporate assets including both real and personal property (including intellectual property) assets, as well as the negotiation and drafting of warranties). A lawyer acting on such a transaction needs to have a broad range of legal skills and expertise, all of which are as important to the success of the transaction as his or her knowledge of patent law.
22. Mr Chalkley went on to give detailed evidence to illustrate the wider aspects of the work done by Redd. The evidence did not identify clients by name in order not to breach Redd’s professional obligations to its clients. The examples include:

- i) preparing standard form distribution agreements and supply, distribution and agency agreements for a client's products in Canada, Greece, the Netherlands and Sweden;
 - ii) drafting and negotiating on franchising agreements, a joint venture agreement, a services agreement relating to payroll, administration, accounting, information technology and logistics support, licence agreements;
 - iii) advising on standard terms and conditions of sale of goods; on disputes about sale/supply contracts, retail concession agreements; retention of title clauses; general commercial agreements; E-Commerce and online legal matters; product distribution agreements; concession agreements; data protection; legal issues concerning employee use of the internet; repair replacement and refund obligations for defective products; a finder's fee agreement; a contract manufacturing agreement; factoring arrangements; sale of shares; privacy and illegal email interception; general conditions of purchase; trade descriptions and advertising; loan facility agreements; and event management and consultancy agreement;
 - iv) a high level review of lease terms;
 - v) working on prize draws/competitions;
 - vi) acting in competition law proceedings; and
 - vii) debt collection.
23. Mr Chalkley exhibited invoices in support of this evidence, but Mr Vanhegan pointed out that the evidence was difficult to challenge at a detailed level given that the invoices had been redacted. Mr Vanhegan is right, but even making allowance for the fact that it is difficult to challenge all the detail, I have no trouble accepting Mr Chalkley's evidence overall. It makes sense. There is nothing inherently surprising or improbable about the range of matters Mr Chalkley describes in his evidence as being done by a law firm like Redd.
24. Another example which arose in evidence was criminal law. Mr Chalkley gave an example in the witness box of an occasion on which Redd had advised on criminal law, relating to email interception.
25. On the other hand there are some areas of legal work which Redd has not done. Residential conveyancing is the most pertinent example.
26. Moreover even allowing for the range of work which is done by Redd, Mr Vanhegan argued that Redd has itself described the work as falling entirely within one of only two categories: either "Contentious IP" or "Commercial IP". The point being that both categories include a reference to intellectual property. To make this good Mr Vanhegan relied on the letters Redd had written to its professional insurers on an annual basis to give them an appreciation of the firm's work. When these were put to Mr Chalkley in cross-examination he emphasised that it was important to look at the letters as a whole, which describe Redd's work in more detail and paint a similar picture to Mr Chalkley's evidence. Nevertheless Mr Vanhegan makes a powerful

point – Redd is happy, at least in some circumstances, to describe the entirety of its work as either “contentious IP” or “commercial IP”.

27. Also Mr Vanhegan relied on Redd’s website and on legal directory entries. In my judgment, these present a clear message: that Redd seeks to market itself as a niche intellectual property law firm. Indeed Mr Chalkley accepted that Redd specifically tells the world it is a “niche boutique IP practice”.

Red Legal

28. Prior to December 2008 Mr Smith and Mr Crighton were employed in the conveyancing department of a firm of solicitors in Northampton called Tollers. They were good friends. They were made redundant in December and decided to set up business on their own as licensed conveyancers.
29. Mr Smith explained in his evidence how licensed conveyancers differ from solicitors. Essentially a licensed conveyancer deals only with three specific areas of practice – conveyancing, wills and probate. They are regulated by the Council of Licensed Conveyancers rather than the Solicitors Regulation Authority. Mr Smith explained that generally licensed conveyancers come from less well educated backgrounds than solicitors but that the training to become a licensed conveyancer is thorough and includes legal aspects, obviously focusing on areas of law that are essential to operating a conveyancing practice. He stated that the Council for Mortgage Lenders identifies licensed conveyancers as less of a negligence risk than solicitors when it comes to conveyancing and he stated that licensed conveyancer professional insurance premiums are lower than those for solicitors. In his opinion it could not be said that the operations of a firm of licensed conveyancers would be likely to damage the prestige of a firm of solicitors in terms of legal competency.
30. Whilst Mr Crighton was a qualified solicitor with a practising certificate, Mr Smith had no legal qualifications at all and so when they set up together they could not form a firm of solicitors. Mr Crighton could have operated as a sole practitioner solicitor with Mr Smith operating behind the scenes but that would not be advantageous to the business because some mortgage lenders do not allow sole practitioners on their panel of solicitors. On the other hand, the Council for Licensed Conveyancers at that time allowed limited companies to operate as firms of licensed conveyancers provided that at least 50% of the owners were qualified under their regulations. Since a conveyancing solicitor could automatically qualify as a licensed conveyancer, subject only to passing an interview, and since Mr Smith felt mortgage lenders did not discriminate against licensed conveyancer limited companies in the same way they do against sole practitioner solicitors, a licensed conveyancer firm seemed to them to be the most obvious route to take.
31. The name “Red Legal” was chosen, the idea behind the name being that the first defendant’s business should help to cut the “red tape” for people moving home or changing their mortgage. Before Red Legal started trading Mr Smith and Mr Crighton undertook some searches. They checked the records at Companies House to see if the name Red Legal Ltd was already in use (it was not) and they typed “red legal” into the Google search engine and into the Yell.com business register website. Although both Mr Smith and Mr Crighton were aware of the existence of intellectual property law and trade marks in the abstract, neither had been on the UK Intellectual

Property Office website nor the Community Trade Mark office website. They were unaware of the existence of the claimant and its REDD mark. They were also unaware of any other legal business in the UK trading under the name RED. Mr Crighton also looked to see if “red legal” was available as a domain name by searching www.123reg.co.uk. Mr Smith and Mr Crighton were not then aware that they could search trade marks online. Mr Smith said that it simply never occurred to them in 2009 to make checks at the UK Intellectual Property Office.

32. Having done the searches they did, Mr Smith and Mr Crighton considered there was no reason not to use the name Red Legal and started trading in that way. Red Legal’s business is residential conveyancing. Although licensed conveyancers may also offer wills and probate services, Red Legal do not.
33. Red Legal’s first office was in Northampton. This was followed by offices in Milton Keynes (September 2010), Leicester (May 2011) and Bedford (May 2011).
34. By June 2010 Red Legal had 8 employees plus the two directors Mr Smith and Mr Crighton working in the business. The website had had 5,800 unique visitors since it started and the name Red Legal had been used on 16,000 letters sent out by the firm. Leaflets and business cards had been circulated. In terms of numbers, I accept Mr Smith’s evidence that about 5,000 leaflets had been circulated (half of the 10,000 which were printed). There had been advertisements by means of yell.com and in the local Northampton Chronicle and Echo newspaper. By June 2010 Red Legal had referral arrangements with 8 estate agents, 11 builders and various mortgage brokers and IFAs. They were local to Northampton.
35. Mr Smith said that by June 2010 Red Legal had completed 1048 property transactions with a turnover of £348,000. He said that the vast majority of the property and clients were located in Northamptonshire, Buckinghamshire, Bedfordshire and Leicestershire and gave figures for the numbers of transactions in those counties (472, 296, 100 and 20 respectively). The remaining 15% were in other counties. Of these Mr Smith said:

Cambridgeshire was 68 and Warwickshire 20. Some were in London and surrounding counties (Hertfordshire 14, London 9, Surrey 5, Kent 2, and Essex 1). The remainder were in Devon (8), Bristol (5), Norfolk (4), Derbyshire (3), Cornwall (2) Oxfordshire (2), West Yorkshire (2) and Gloucester, Hampshire, Lancashire, Lincolnshire, Wiltshire, Worcestershire and Nottinghamshire had 1 each. Those typically represented clients in those counties, not residents local to our office moving out to those counties.

36. He was cross-examined about this evidence on the basis that it was not clear how the figures had been produced and therefore not clear whether there had been double counting. So a client moving house from say Northamptonshire to Wiltshire might be counted twice, once in the total for each county. Mr Smith had not prepared the figures himself but had it done for him in the office. He did not think there was anything wrong with the numbers but, since he had not derived the figures himself he could not directly answer Mr Hicks’ questions. Mr Smith was seeking to present the court with a picture of the extent of the Red Legal business at the relevant time and in

my judgment he was seeking to do so fairly. I do not accept that double counting, even if it took place, matters all that much.

37. The clear picture presented by Mr Smith's evidence as a whole is that as at June 2010 Red Legal were up and running in business as a residential conveyancer under that name. They had a tangible goodwill and reputation. Its geographical extent was focussed in Northampton. Although the firm was clearly known to a few clients elsewhere this was on a very small scale indeed. Outside the local area it was very diffuse.
38. The way in which Red Legal promotes its business is as follows. From the website and on the business papers and business cards the name used is "red legal" using the logo shown above. The words "the property specialists" often appear under the logo. On the website Red Legal use strap lines including "a new breed of legal" and "legal made modern".
39. Any member of the public encountering Red Legal's promotional materials for the first time would understand that it offered legal services, with a focus on property. Whether many members of the public would realise that Red Legal was a firm of licensed conveyancers as opposed to a solicitors firm, I doubt. The business cards and leaflets make no mention of the words licensed conveyancer. The website and the letterheads carry the statement that the firm is regulated by the Council of Licensed Conveyancers but it is in small writing at the bottom.
40. Mr Hicks pointed out to Mr Smith in cross-examination that one of Red Legal's staff was described on the headed notepaper as a solicitor and another was described on his business card as a "solicitor non-practising". The implication of this cross-examination was to suggest that Red Legal tries to pretend it is a firm of solicitors. I reject the implication that Red Legal is going as far as deliberately representing itself as a firm of solicitors. It is not. However Red Legal does hold itself out as a provider of legal services, specialising in property. It is entitled to do so since it provides conveyancing services.
41. Red Legal also advertises by placing advertisements on traffic roundabouts. It has done so on at least two occasions. This sort of advertising is consistent with Red Legal's position as a provider of legal services to consumers. Mr Chalkley said that such services, like services offered by some personal injury lawyers, are suited to national franchises and marketing and business methods which, while perfectly legal are not an approach with which Redd would wish to be associated. Redd's customers come to them for bespoke advice on the basis of the expertise of particular individuals in the firm. Mr Smith accepted that Red Legal did have plans to expand hopefully nationwide and he also fairly accepted that advertising on road traffic roundabouts was not something Redd would necessarily wish to be associated with.
42. In relation to the scope of Red Legal's business as licensed conveyancers, Mr Chalkley pointed out that although today the work of licensed conveyancers is limited to conveyancing, wills and probate, the Council of Licensed Conveyancers has recently applied to the Legal Services board to extend the scope of services which can be provided to include litigation and advocacy. Mr Smith said Red Legal had no plans to do that kind of work.

43. Redd first complained to Red Legal by a letter on 28th September 2010.

Redd, Red and Darbys

44. Also in the summer of 2010 Redd noticed the application by Darbys to register the UK trade mark RED for legal services (etc.). A dispute ensued which was settled. As mentioned above, on 28th March 2011 Darbys assigned the application for the RED mark to Redd and it was registered on 20th May 2011. Red Legal contended that Redd had no intention to use RED at all. After all Redd's mark was REDD. Mr Vanhegan submitted that using a mark "RED" would be wholly contrary to Redd's marketing strategy since it would blur the distinctiveness of the REDD brand. Mr Chalkley's evidence on that was as follows:

102. When the opportunity arose, this Firm took an assignment of the benefit of the RED trade mark application. We did not have any definitive or specific plans for how we would use it, but we envisaged we would be able to use it for some services, while at the same time maintaining cohesion with our use of the colour red and marketing word plays. We have a number of business ideas in this regard none of which are developed at this stage to a point where we can implement them.

45. I will deal with Mr Chalkley's cross-examination below.

Partial revocation of REDD mark

The law

46. The relevant parts of the CTM Regulation provide as follows:

Article 15 - Use of Community trade marks

1. If, within a period of five years following registration, the proprietor has not put the Community trade mark to genuine use in the Community in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the Community trade mark shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for non-use.

Article 51 - Grounds for revocation

1. The rights of the proprietor of the Community trade mark shall be declared to be revoked on application to the Office or on the basis of a counterclaim in infringement proceedings:

(a) if, within a continuous period of five years, the trade mark has not been put to genuine use in the Community in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use; ...

2. Where the grounds for revocation of rights exist in respect of only some of the goods or services for which the Community trade mark is registered, the rights of the proprietor shall be declared to be revoked in respect of those goods or services only.

47. These provisions correspond to Articles 10 and 12 of the Trade Marks Directive (Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version)) and section 47 of the 1994 Act.
48. Both sides before me agree that it is possible to detect differences between the approach taken to partial revocation in the UK under domestic law and the EU approach to the same problem. The “UK approach” is essentially that set out in NIRVANA (O/262/06) (2006) (Mr Richard Arnold QC, as he then was, sitting as the Appointed Person). Mr Arnold reviewed in detail the English authorities as well as the ALADIN decision of the Court of First Instance (now the General Court) (T-126/03 [2006] ETMR 50). He summarised his conclusions as follows:

58 I derive the following propositions from the case law reviewed above:

- (1) The tribunal’s first task is to find as a fact what goods or services there has been genuine use of the trade mark in relation to during the relevant period: *Decon v Fred Baker* at [24]; *Thomson v Norwegian* at [30].
- (2) Next the tribunal must arrive at a fair specification having regard to the use made: *Decon v Fred Baker* at [23]; *Thomson v Norwegian* at [31].
- (3) In arriving at a fair specification, the tribunal is not constrained by the existing wording of the specification of goods or services, and in particular is not constrained to adopt a blue-pencil approach to that wording: *MINERVA* at 738; *Decon v Fred Baker* at [21]; *Thomson v Norwegian* at [29].
- (4) In arriving at a fair specification, the tribunal should strike a balance between the respective interests of the proprietor, other traders and the public having regard to the protection afforded by a registered trade mark: *Decon v Fred Baker* at [24]; *Thomson v Norwegian* at [29]; *ANIMAL* at [20].
- (5) In order to decide what is a fair specification, the tribunal should inform itself about the relevant trade and then decide how the average consumer would fairly describe the goods or services in relation to which the trade mark has been used: *Thomson v Norwegian* at [31]; *West v Fuller* at [53].

(6) In deciding what is a fair description, the average consumer must be taken to know the purpose of the description: *ANIMAL* at [20].

(7) What is a fair description will depend on the nature of the goods, the circumstances of the trade and the breadth of use proved: *West v Fuller* at [58]; *ANIMAL* at [20].

(8) The exercise of framing a fair specification is a value judgment: *ANIMAL* at [20].

49. The “EU approach” is that explained in *ALADIN* and followed by the Court of First Instance/General Court for example in *Mundipharma AG v. OHIM* T-256/04. A particular element in the *ALADIN* decision was an emphasis on the existence of a description in the form of a particular sub-category listed under the Nice Agreement.
50. In *EXTREME (Pan World Brands Ltd v. Tripp)* [2008] R.P.C. 2 (2007), again sitting as the Appointed Person, Mr Arnold QC (as he then was) considered *Mundipharma* at paragraphs 52 to 53. He continued as follows:

54 Although at first blush this suggests an approach which is somewhat different to that laid down by the English authorities considered in *NIRVANA*, I consider that the difference is smaller than might appear. The essence of the domestic approach is to consider how the average consumer would fairly describe the goods in relation to which the trade mark has been used. Likewise, paragraph [29] of *Mundipharma* indicates that the matter is to be approached from the consumer’s perspective.

55 To the extent that there is a difference between them, I remain of the view expressed in *NIRVANA* that I am bound by the English authorities interpreting section 46(5) of the 1994 Act and Article 13 of the Directive and not by the CFI’s interpretation of Article 46(2) of the CTM Regulation since, as already noted above, there are differences between the two legislative contexts. Nevertheless I consider that English tribunals should endeavour to follow the latter so far as it is open to them to do so. *Mundipharma* suggests that, within the spectrum of domestic case law, the slightly more generous approach of Jacob J. in *ANIMAL Trade Mark* [2003] EWHC 1589 (Ch), [2004] F.S.R. 19 is to be preferred to the slightly less generous approach of Pumfrey J. in *DaimlerChrysler AG v Alavi* [2001] R.P.C. 42.

51. On the facts of the case in *EXTREME*, Mr Arnold QC held that use in relation to “holdalls” justified a registration for “luggage” generally.
52. Mr Vanhegan referred me to the passage in Kerly’s *Law of Trade Marks and Trade Names* (15th Ed) (2011) at paragraphs 10-92 to 10-110. These passages review the differing approaches as between the EU and the UK. The defendants’ primary

contention was that the correct approach was the one proposed by the learned authors of Kerly in paragraph 10-108. Paragraph 10-108 states:

10-108

In the light of these considerations, it is suggested that the correct approach should be as follows:

(1) If the court or Registry decides that there has been genuine use but only on a particular item or in relation to a particular service, the first question is whether the specification extends unduly beyond the item or service? If so, the inquiry is this: how would the notional reasonable man describe that item? Naturally, the answer depends on all the circumstances, but the answer provides the wording appropriate for that item in the specification of goods.

(2) If the mark has been used on many different items of a similar nature, there may come a stage where the notional reasonable man would say: well, all those items are properly described by the collective term, X. It is then appropriate for that collective term to be used in the specification of goods.

(3) The words used in the Nice Classification act as a guide as to which items properly fall within which class, but it is not necessarily appropriate to populate one's specification of goods with terms used in the Nice Classification, unless those terms are prompted by the tests set out in paras one and two above.

53. In summary Mr Vanhegan submits the Kerly approach, made specific for the facts of this would be as follows:

(1) Where the Court decides that there has been genuine use but only in relation to a particular service – it must ask itself whether the specification extends unduly beyond the service.

(2) If so, how would the notional reasonable person describe that service.

(3) The words of the Nice Classification act as a guide – but it is not necessary to use those words specifically.

Further the proper description of the services in question will often be found in the registrant's own commercial literature.

54. The reason Mr Vanhegan put the matter this way reflects the defendants' case on the facts that really Redd only offer a single service - as an IP niche firm. Mr Hicks on the other hand argued the case on the law from the footing that Redd in fact offered a range of services and so his approach to the law was somewhat different. He emphasised the ANIMAL case in which Jacob J (as he then was) asked whether there had been use for just one specific item or for a range of items. Overall Mr Hicks

submitted the right thing to do was to identify all the particular types of service that are provided without trying to put a category on them and then ask oneself what would be a fair term with which to describe them. So, on the facts of this case, if it could fairly be said that all the services are intellectual property legal services then that might be a fair descriptive term. But he did not accept that this was the case on the facts.

55. The learned authors of Kerly suggest that a reference to the CJEU will be needed but neither side urged me to refer the issue. Mr Vanhegan's submission was that if I did not accept his primary case (to apply what I have called the Kerly approach) then pending appeal or a reference to the CJEU, the defendants' case is that on either of the UK or EU approaches, the REDD registration in this case should be narrowed down at least to exclude "*legal services relating to residential conveyancing*" – but really should be revoked down to "*legal services relating to intellectual property rights*". The latter he said was particularly fair given that this is the manner by which the claimant commercially holds itself out to the public.
56. In this case the REDD mark is a CTM and is governed directly by the CTM Regulation itself rather than the Act or the Directive but neither side suggested that ultimately the approach under the Act and Directive should differ from that under the Regulation.

Apply the law to the facts

57. Redd's case is that the range of services offered by the firm under the REDD mark is broad and that the fair and obvious description of them is "legal services". That description strikes a fair balance between the respective interests of the proprietor, other traders and the public. One reason why is because there is no sharp dividing line between different areas of legal practice and while clients may choose a particular law firm because of the experience and reputation of that firm or the individuals in it in a particular sector of law, they nevertheless expect to receive and do receive legal services generally.
58. Redd also refers to the way in which the first defendant trades as "red legal" and not for example as "red conveyancing", even though it only undertakes residential conveyancing. Redd submits that the name "red legal" is, in essence, an abbreviation of, or a conceptual synonym for, "red legal services". Straplines such as "a new breed of legal" and "legal made modern" are to the same effect. Redd submits that presumably the defendants chose this terminology because they regarded "legal" (in other words "legal services") as a fair description to consumers of the services which the first defendant provides despite their specific nature.
59. Red Legal's case is to the contrary. It contends that all the services offered by Redd can fairly be described as "legal services relating to intellectual property rights". That is because of the nature of the services themselves but it is also fair because that is in essence how Redd has itself chosen to describe its services both to its insurers and to the public in marketing materials. It is also fair because "legal services relating to intellectual property rights" is an existing Nice sub-classification and this may be contrasted with other Nice sub-classifications "conveyancing" and "conveyancing services (legal services)".

60. To address these rival arguments I will first consider the circumstances of the relevant trade. The relevant trade in this case is the law.
61. Lawyers provide a wide variety of services to a wide variety of clients and such services can be categorised in different ways. One can draw distinctions between the kinds of service provided. One can distinguish between different kinds of client and between different contexts in which legal services are needed. One can also distinguish between different kinds of legal subject matter. No doubt there are other ways of seeking to categorise different legal services. However what characterises them all is that the service provider, whom one could call a “lawyer” in the broadest sense of the word, is a person who uses their professional skill and knowledge in legal matters for the benefit of a client. The client trusts the lawyer to use their skill and knowledge and expects the lawyer to be able to apply that knowledge for the client’s benefit. If in fact the problem raises another legal issue over and above the one the client thought was germane to the problem, the client is entitled to expect the lawyer to be able either to deal with it or at least to spot it and explain that they cannot.
62. The services offered by Redd under and by reference to the REDD mark clearly include services which can properly be called legal services relating to intellectual property rights. Litigating a trade mark infringement case would be an example of such services. Some of the services described by Mr Chalkley also bear a close relationship to intellectual property, for example franchising. A franchise agreement is a form of trade mark licence. Some services could be categorised in a manner which may or may not include intellectual property, such as the advice Mr Chalkley gave about criminal law. Calling legal services criminal does not tell you anything about the nature of the crime in question. On this point Mr Chalkley explained that the criminal law issue on which Redd advised did not relate to IP.
63. The point of Mr Chalkley’s evidence was to show that the fact that Redd markets itself in a particular way does not mean the services which it actually provides are limited to intellectual property. Overall it is clear from Mr Chalkley’s evidence that Redd offers a wide range of legal services which do not relate to intellectual property rights. Simply as examples, the legal services provided in drafting and negotiating a services agreement relating to payroll (etc.) do not relate to intellectual property rights, nor does conducting a review of lease terms. There are many other examples.
64. No doubt the vast majority of Redd’s clients come to the firm in the first place as a result of the reputation for intellectual property law expertise enjoyed by the individuals working in the firm. However I find that the firm also supplies legal services to some of its clients which have nothing to do with intellectual property.
65. Mr Vanhegan pointed out that the whole of the claimant’s turnover represented 0.006% of the total UK market for legal services and that the claimant had failed to lead any evidence of promotion or advertising by it or the public perception of it as a provider of legal services outside IP. Moreover the claimant had not put any figures on how much of its business in terms of turnover was accounted for by that purportedly undertaken outside the field of IP. I am sure that relative to Redd’s total turnover, the revenue earned from the legal services Mr Chalkley described which fall outside the sphere of intellectual property is small. It is also true that the focus of Redd’s advertising and marketing is intellectual property. I also accept that in some cases, an absence of evidence about advertising and turnover figures may well be

significant. But in my judgment on the facts of this case, it is manifest that Redd do genuinely provide the services Mr Chalkley describes. They are on a small scale but they are real. The services are provided by the firm and are provided under and by reference to the mark REDD. I am sure they amount to genuine use of the REDD mark.

66. Mr Vanhegan urges the fact the Redd itself uses expressions such as “Commercial IP” to cover the range of services on offer. He is right but the context is in the letters to Redd’s insurers. That has little to do with the issue I have to decide. The sort of services Redd offers are the sorts of services which I expect many firms which call themselves intellectual property specialists do offer. In that way Redd’s description makes sense. But it does not mean that it is fair to categorise all the services offered by Redd in fact as services relating to intellectual property rights. They are not.
67. Mr Vanhegan also refers to the promotional material Redd use, which emphasises their intellectual property credentials. However while I am sure it is relevant, I am not persuaded it is determinative. How Redd chooses to describe its work is relevant evidence of its range and is also relevant to indicate what a fair description might be. However on the former point, here the claimant has established by evidence that the range of services provided is broader than the work focussed upon in the firm’s marketing materials. The fact that Redd does not choose to advertise itself as a provider of (say) debt collection services does not mean the firm does not provide such services. I should also record that I accept Mr Chalkley’s evidence that in fact not every legal directory entry relating to Redd is in an intellectual property category. As to the latter point, in this case it goes with the former. Redd has a credible reason from a marketing point of view to describe itself as an intellectual property firm and not to emphasise the other work it undertakes. That does not mean “services relating to intellectual property rights” is a fair description of the totality of its work.
68. Mr Vanhegan also urges the Nice sub-category. But that begs the question. If, as I find, Redd does not in fact restrict itself only to legal services relating to intellectual property rights, then the existence of the Nice sub-category does not help. I do not need to speculate whether there could be a provider of legal services who did exclusively offer only legal services relating to intellectual property rights. Whether or not there is such a business in existence, it is not Redd.
69. Mr Vanhegan submitted that the claimant has not used the REDD mark for the purpose of preserving or creating a market share for legal services relating to residential conveyancing or outside the field of commercial business law. In a case like this I do not find the reference to preserving or creating market share to be useful. Redd’s use of REDD for all its services, including those without a relationship to intellectual property rights, is genuine use. To ask whether Redd has thereby a market share in the market for, say, debt collection services, does not help. I agree that all Redd’s legal services appear to be in the field of commercial business law but Mr Vanhegan did not contend that the specification of services for the REDD mark should be limited to that expression. I think he was right not to do so since it is a vague term which begs more questions than it answers.
70. Given the range of services offered by Redd, I think a fair description of those services is simply “legal services”. I reject the defendant’s case that the specification

of services for the REDD mark should be limited to “legal services relating to intellectual property rights”. That is not a fair description of Redd’s services.

71. I have not so far considered whether I should exclude residential conveyancing from the specification. This raises somewhat different questions. As I have said I think a fair description of the services offered by Redd is “legal services”. That is because Redd offers a range of different kinds of service of a similar nature and no other description apart from “legal services” makes sense. It is an appropriate collective term and it is a term a notional reasonable man or an average consumer would use for them as long as he or she was properly informed of the range of work Redd actually carry out. Apart from anything else, Redd is a firm of solicitors. The average person would describe the services provided by such a firm as legal services.
72. Simply as a description, I do not think the expression “*legal services other than those relating to the conveyancing of residential property*” is a fair description of the services offered by Redd. No member of the public would describe their services in that way. Moreover I am not convinced the exclusion itself is of a clear scope. Many legal services could be services relating to residential conveyancing.
73. However it is also true that Redd has never offered residential conveyancing and has no plans to do so. The real question is whether that is a sufficient basis to include a carve-out for residential conveyancing from the specification.
74. It will always be possible to show that there are some services within a category like this which the trade mark proprietor has never offered and may not really ever wish to do so. But that is part of the nature of collective expressions in the first place. In a different case the point may show that the collective expression is not fair in the first place, but I have rejected that argument.
75. An important part of the reason “legal services” is a fair description in this case is because of the nature of legal services themselves. They are many and varied and can be divided up in different ways. The particular services actually offered will vary considerably from time to time. Despite all this, the services are all legal services.
76. In my judgment it would not strike a fair balance between the respective interests of the proprietor, other traders and the public to make such a carve-out from the specification in this case. I think the only fair specification for the claimant’s trade mark is “legal services”, without qualification.

Infringement of the REDD mark

77. Redd contends that Red Legal infringe the REDD mark under Art 9(1)(b) of the CTM regulation and also under 9(1)(c).

Infringement under Art 9(1)(b)

78. There was no dispute about the law applicable to infringement of a CTM under Art 9(1)(b). Mr Hicks referred to the judgment of Kitchin LJ in the Court of Appeal in *Specsavers International BV v Asda Stores* [2012] EWCA Civ 24 at paragraphs 51-52 and also to the judgment of Arnold J in *Datacard v Eagle* [2011] EWHC 244 (Pat) paragraphs 275 -276. Mr Vanhegan also referred to the judgment of Arnold J in *Red*

Bull v Sun Mark [2012] EWHC 1929 (Ch) at paragraphs 74-78 which refers to *Specsavers* and dealt with a point arising in that case from Arnold J's judgment in *Och-Ziff v OCH* [2010] EWHC 2599 (Ch). Arnold J in particular referred to paragraph 87 of *Specsavers* which states:

“87. In my judgment the general position is now clear. In assessing the likelihood of confusion arising from the use of a sign the court must consider the matter from the perspective of the average consumer of the goods or services in question and must take into account all the circumstances of that use that are likely to operate in that average consumer's mind in considering the sign and the impression it is likely to make on him. The sign is not to be considered stripped of its context.”

79. That is the approach I propose to take.

Apply the law to the facts

80. The relevant comparison is between the REDD mark and the signs (1) RED LEGAL, (2) RED LEGAL LIMITED and (3) REDLEGAL.CO.UK. In my judgment there is nothing to choose between these three signs. On the facts of this case, if one infringes then the other two will as well.

81. While recognising that the test is ultimately a global one, Mr Vanhegan put forward some specific factors to be taken into account. He accepted that if the specification of services remained as “legal services” generally then the average consumer will comprise individuals from the general public. He submitted that an average consumer of legal services is in general going to be more careful, circumspect and discriminating and have a higher level of attention when acquiring legal services than an average consumer of many other services and goods. I accept that submission. Choosing a lawyer (whether a solicitor or a licensed conveyancer) is a more serious undertaking than choosing a breakfast cereal.

82. As regards the extent of visual, aural and conceptual similarities, Mr Vanhegan argued as follows. The mark and signs are conceptually different. The average consumer would either appreciate that REDD is an archaic word or consider it to be made up. The average consumer for legal services would not consider that a legal services provider would, by using REDD, have misspelt the word RED. He argued that visually the mark and signs are different. The similarity arises from the use of the same first three letters of RED but the average consumer would visually rapidly discriminate and differentiate between the two. He accepted that aurally the similarity exists between the identity of the pronunciation of the word REDD and the first element of the RED LEGAL signs but, he said, there is however no identity in the oral pronunciation of the mark and sign in total and it was wrong to suggest that the Defendants' sign may be considered solely to be RED.

83. In my judgment Mr Vanhegan's points about similarity are exaggerated. In the context of legal services the word “legal” adds almost nothing distinctive to the word “red”. I think the average consumer will think the word REDD is a made up word. I doubt many people know of it as an existing archaic term. They will think of it as a play on words by reference to the word red. The visual difference is slight. Aurally

and in context there is really nothing distinctive between REDD for legal services and Red Legal.

84. As regards inherent distinctiveness, Mr Vanhegan submitted that the evidence showed that REDD was not unique to the claimant and that the claimant has positively sought to emphasise the archaic meaning of the word which bears some relation to legal services. Neither of these are strong points. There is no evidence of any use by others of REDD in relation to legal services which would impinge in any significant way on the average consumer nor is there anything to show the archaic meaning would or has had any impact. In my judgment REDD has a fair degree of inherent distinctiveness.
85. As regards acquisition of a reputation through use, Mr Vanhegan accepted that the claimant had acquired a reputation in intellectual property law amongst legal practitioners in that field but denied the REDD mark had acquired a reputation through use as applied to legal services generally across the UK let alone the Community. I think Mr Vanhegan is right that Redd's reputation is one which is confined to the sphere of intellectual property law. In that context it is not confined to the UK. Redd's reputation does not extend to legal services generally amongst the general public.
86. A point was raised by the defendant that the UK IPO did not cite the REDD mark against Red Legal's own trade mark application(s). In fact REDD was cited against the later of Red Legal's two applications. I do not think these points are of much assistance either way.
87. Finally Mr Vanhegan submitted that 3½ years have passed since the defendants began and no instances of actual confusion have come to light. While this is not a passing off case, he argued that that was a material factor to bear in mind in considering whether there is a likelihood of confusion.
88. Overall Mr Vanhegan argued that given the number of different entities using the sign RED with no evidence any of them have experienced instances of confusion, surely this is an indication that the real consumer of legal services is perfectly able to and does discriminate without confusion between signs more similar than REDD and RED LEGAL.
89. Mr Hicks submitted that the fact no evidence of actual confusion had come to light was true but not determinative and pointed out that there was little evidence about the nature and extent of the other businesses said to be using the name "red". He contended that important points were that this was not a passing off case, that the services offered by Red Legal were identical to the services covered by the REDD mark, and that although Redd is a firm of solicitors and Red Legal a firm of licensed conveyancers, most members of the public will not appreciate the difference. He also referred again to the manner in which Red Legal in fact promotes its business.
90. On these points I agree the lack of evidence of actual confusion is not determinative but it is not irrelevant either. It is also correct that although there is clear evidence that other businesses use the word "red" in their name, there is no concrete evidence of the scale or manner of that use which would allow it to be given significant weight. I also agree that the public will not see any clear distinction between the services Red

Legal offers, particularly given the way they are presented, and the services of a firm of solicitors.

91. Mr Hicks submitted the correct approach was to deal with the scope of the registration first (that has been done, Red Legal's services are identical) and next to consider the mark actually used by the defendant. On that the overwhelmingly dominant element in "RED LEGAL" is "RED". The impression is of legal services provided by an organisation calling itself RED and there is a strong link to the colour red. Finally one asks whether confusion is likely, and Mr Hicks submitted it was very likely. In conversation the word REDD and the dominant element of RED LEGAL are indistinguishable. In the legal services market, personal recommendation is a way clients are obtained. Both the mark and the sign give rise to a link to the colour red, reinforced by the actual use made by Red Legal (and indeed Redd). Visually the difference is small and the word legal does not help to distinguish. Written side by side the marks can be seen to be different but that is not the test. Many average consumers seeing one mark on one day and another some days or weeks later are, he submitted, bound to be confused between the two.
92. Finally Mr Hicks referred to some evidence from Mr Chalkley about instances in which REDD had been misspelled with one "d". Mr Vanhegan's cross examination of Mr Chalkley on that point undermined that evidence and I will not take it into account.
93. In my judgment the key points in this aspect of the case are that the services are the same, the mark and the sign are conceptually close and, in the context of legal services, practically aurally identical. I think the strongest points in Red Legal's favour are first, that legal services are selected by consumers with care and, second, that the colour red (and the word itself) do not have a high degree of distinctiveness. Both points will tend to reduce a likelihood of confusion between different entities using similar signs, the first point particularly in relation to legal services, but I do not think either point alone or together are strong enough to eliminate a likelihood of confusion in this case.
94. I prefer Mr Hicks' submissions on this issue to those of Mr Vanhegan. I find that there is a likelihood of confusion here. Use of the sign RED LEGAL for licensed conveyancing would infringe the mark REDD registered for legal services under Art 9(1)(b) of the CTM Regulation subject to any defences (below).

Infringement under Art 9(1)(c)

95. Given my conclusion in relation to Art 9(1)(b), there is no need to go on and consider infringement under Art 9(1)(c) and I will not extend the length of this judgment by doing so. I will briefly state my views on some of the relevant matters arising. I believe Redd's reputation in the mark REDD, which clearly exists, relates to and arises exclusively from the firm's experience and expertise in intellectual property law. Mr Vanhegan submitted there was no evidence of any actual damage to the claimant despite 3 ½ years of parallel trading. I agree. He also submitted that the name Red Legal was chosen without any actual knowledge of Redd. Again I agree. On the other hand I can see no "due cause" on the first defendant's part to use the name Red Legal (save obviously for the own name defence itself which arises separately). I prefer not to venture into the question of dilution since I am not going

to decide this issue. On the question of “detriment” or “tarnishment” (*Interflora v Marks & Spencer* CJEU Case C-323/09 paragraph 73), the defendant operates at what Mr Hicks called the “lower end” of the legal market whereas Redd operate at the “high end” of the market. Thus for example Red Legal advertises on traffic roundabouts. Mr Hicks emphasised that both are perfectly valid ways of doing business but he said it should not be surprising to Red Legal that Redd would want and would need to avoid any possible association between the two. I think Mr Hicks is right about that.

Own name defence Art 12

96. Red Legal relies on Art 12 of the CTM Regulation. This provides that:

“A Community trade mark shall not entitle the proprietor to prohibit a third party from using in the course of trade:

(a) his own name or address

[...]

provided he uses them in accordance with honest practices in industrial and commercial matters.”

97. Section 11(2) of the 1994 Act, implementing Art 6(1)(a) of the Directive, is to the same effect.

98. It was common ground that the defence may apply to legal persons such as companies as well as individuals (*Anheuser Busch v Budejovicky Budvar* Case C-245/02).

99. The real issue in this case is the question of honest practices. As to that Arnold J summarised the case law of the CJEU (*Gillette v LA Laboratories* Case C-228/03, *Anheuser Busch* (supra), *Céline Sàrl v Céline SA* Case C-17/06) in relation to honest practices under the CTM Regulation in relation to “own name” cases in *Hotel Cipriani SRL v Cipriani (Grosvenor Street) Limited* [2009] EWHC 3032 (Ch) at paragraphs 142 to 151. The Court of Appeal did not criticise his summary on appeal ([2010] EWCA Civ 110 paragraphs 74-85). Mr Hicks also referred me to a summary of Arnold J’s conclusions provided by Floyd J. in *Hasbro Inc & ors v. 123 Nahrungsmittel GmbH & ors* [2011] EWHC 199 (Ch) at paragraph 226.

100. Furthermore Mr Hicks referred me to paragraphs 153 to 158 of Arnold J’s judgment in the *Cipriani* case. At paragraph 154 Arnold J held that the defendants knew of the existence of the CTM at the time they started the acts complained of but that even if they had not, a reasonable person in their position would have instructed their trade mark attorneys to conduct a search and such a search would almost certainly have revealed the existence of the CTM.

101. Finally Mr Hicks pointed out that on appeal in *Cipriani*, Lloyd L.J. gave consideration to the defence in relation to names of companies, and concluded that there was a difference between a new company name for a new business and an existing name for an existing business:

“[67] On the other hand, just as an individual could not justify using a trading name newly adopted which conflicted with a registered trade mark, nor could a company do so, any more than a company could justify trading under a changed corporate name which produced such a conflict, and an individual could not achieve the same by changing his name by deed poll. It seems to me that the explanation for the difference is that using an established trading name may well satisfy the test of honest use, whereas to adopt a new corporate or trading name for a new business which conflicts with an existing registered trade mark is unlikely to do so.”

Application to the facts of this case

102. Mr Hicks summarised Redd’s case as follows:

- i) The use complained of is very much “upfront in-your-face” (referring to Jacob LJ in Reed v Reed and Arnold J in Cipriani paragraph 158). It is not a mere formal identification of a company name.
- ii) “red legal” is the only trade mark which is used to identify the first defendant (compare the case of a product with a name, which also includes an identification of the manufacturer or supplier).
- iii) No proper searches were conducted by the defendants, and if they had been, the trade mark would have been revealed.
- iv) The defendants knew of the claimant’s objection by 28 September 2010 yet they continued to expand their offices from one to four.
- v) There is an inevitable likelihood of confusion and detriment to distinctive character and repute for the reasons relied on in relation to the case of infringement under Art 9(1)(b) and Art 9(1)(c).
- vi) This is not a case in which confusion should be tolerated e.g. one with personal as opposed to made up names. Had the defendants traded as “Smith Crighton” and confusion arose with earlier rights, one can see how that might be different.
- vii) Not only is the name made up, but there is no particular reason why the name “red” should be used, other than that the defendants like it. In other words, this is not a case where the name alludes to the quality or nature of the goods or services or there is some other justification for the name.
- viii) This case concerns (in the words of Lloyd LJ) “a new corporate or trading name for a new business which conflicts with an existing registered trade mark”. Such is unlikely to be allowed under the own name provisions of the CTM Regulation and the Act.

103. In response Mr Vanhegan argued that Redd’s reputation is confined to intellectual property and that what Red Legal does is not done to give the impression of a

commercial connection between Red Legal and the claimant. He argued that there is no relevant link, no actual damage, no material tarnishment or dilution and no discrediting or denigration of the CTM (these points were also relevant to Art 9(1)(c)). In relation to the searches, Mr Vanhegan referred again to the fact the UK IPO did not cite REDD as a conflicting mark with one of Red Legal's trade mark applications and contrasted the searches carried out by the founders of Red Legal with the searches carried out by the founders of Redd. Moreover Mr Vanhegan argued that if Red Legal had done further searches, the mark in this case would have been just one of numerous "red" marks and domains which would have been found. He also argued that the issue of legal advice begs the question. Finally he contended that if this is infringing then it is at the edges and not a case of a new company storming into the market place and boldly doing something which clearly infringes.

104. In my judgment the important factors in this case are the following:
105. First, I have not decided the question of infringement under Art 9(1)(c) for which the questions about reputation, tarnishing etc. would have been critical. I am sure Redd has a reputation albeit closely related to intellectual property law and I am equally sure a reasonable person in Red Legal's position would understand that Redd has a legitimate interest in avoiding any possible association between the two businesses. I do accept however that there is no evidence of actual harm to Redd so far.
106. Second, the name Red Legal is a new corporate name for a new business which conflicts with an existing trade mark on the register.
107. Third, the use complained of is not mere identification of the company name. The name "red legal" is the brand used to promote the business in a prominent way. It is "upfront" usage.
108. Fourth, the name Red Legal itself is a made up name with no particular reason why the defendants should use it. This case is not concerned with individuals' personal names.
109. Fifth, the way in which Red Legal use the sign does not draw to the public's attention that they are a firm of licensed conveyancers rather than a firm of solicitors (like the claimant).
110. Sixth, there is no suggestion that either Mr Smith or Mr Crighton knew of the solicitors' firm Redd or the CTM itself when they selected the name Red Legal. That would be a point in the defendant's favour subject to the question of trade mark searching (below).
111. Seventh, I reject the submission that much can be gained in the defendants' favour by comparing the searching done by the partners forming Redd with the searching done by Mr Smith and Mr Crighton. Apart from anything else in choosing the name REDD Mr Chalkley explained that the partners did conduct a trade mark search. Mr Smith and Mr Crighton did not.
112. Eighth, on the issue of trade mark searches, Mr Hicks put guidelines published by Companies House to both Mr Smith and Mr Crighton. The guidelines relate to choosing company names and the version dated October 2008 was used. Neither had

seen it before. Those guidelines (paragraph 3, page 7 of 34) state that to avoid possible legal action for trade mark infringement “you should ensure the name you intend to register at Companies House is not identical or similar to an existing trade mark”. The guidelines suggest checking the Trade Marks Register at the UK IPO and consulting a trade mark attorney or solicitor.

113. A reasonable person in the defendants’ position would have conducted or arranged to conduct a trade mark search and the Companies House guidelines underline that conclusion. Neither defendant (nor Mr Smith) did one. There was a debate about what would have come up on such a search. Red Legal relied on the fact that during prosecution of its first trade mark application the REDD mark did not come up on the IPO’s search and was not cited by the IPO. However, as I have mentioned already, the REDD mark was cited by the IPO against Red Legal’s second trade mark application. I am not satisfied that if a proper search had been conducted at the time, the REDD mark would not have come up. To put the matter another way, I think the evidential onus was on the defendants if they wished to show that the REDD mark would not have come up on a proper search. They have not done so and I conclude it would have.
114. If someone in Mr Smith or Mr Crighton’s position had known about the mark, registered as it was for legal services (or if they had known about the existence of a firm of solicitors called REDD), they would have appreciated that it needed to be taken into account and they would have known they needed to take advice. The claimant’s case on infringement is not so strong to mean that any legal advice Mr Smith or Mr Crighton might have taken would have ruled out the possibility that they did not infringe, but proper legal advice at that stage would have told them that they were running a real risk of a finding of infringement.
115. In summary on the eighth point, a trade mark search could and should have been done. If it had then REDD would have come up and the defendants would have been advised they were running a real risk of infringement. They cannot be in a better position now as a result of not doing the search.
116. Overall, I do not think the defendant’s use of RED LEGAL in any of its various forms is an example of fair competition having regard to the legitimate interests of the trade mark proprietor in this case. I reject the defence under Art 12. Accordingly Red Legal has no defence to the claim for infringement of the REDD mark.

The RED mark

117. Since I have found that Red Legal has infringed the REDD mark, the case in relation to the RED mark can be addressed shortly.
118. The key point about the RED mark was that the first defendant was trading using the sign RED LEGAL before it was registered. However since I have found that the first defendant’s use of that sign was itself an act of trade mark infringement, one might have thought this use could not assist the defendants. In other words how could acts found to be infringements of the claimant’s trade mark give rise to a defence based on “honest practices” (s11(2)) or give rise to an “earlier right” protected by the law of passing off (s11(3) 1994 Act) or provide a basis on which to challenge the validity of the RED mark under s5(4) of 1994 Act?

119. However Mr Hicks properly referred me to the decision of the Court of Appeal in ***Inter Lotto v Camelot*** [2003] EWCA Civ 1132 in which the Court held that a passing off right could be acquired even if it arose in infringement of a trade mark and he stated that he wished to reserve the position as to whether such an approach is contrary to the exclusive rights provided to a CTM under the CTM regulation. The facts of ***Inter Lotto*** were quite different from the facts of this case and there may be a basis for distinguishing it either on the facts or because of the CTM point Mr Hicks referred to. However Mr Vanhegan did not address this point, no doubt for the practical reason that it cannot help his clients since it only arises if they have lost anyway. Of course if RED LEGAL did not infringe the REDD mark then that would be very different but I have held that it does.

s5(4) / s11(3) of the 1994 Act

120. I will assume without deciding that the fact that the first defendant's use of RED LEGAL for legal services infringed the prior REDD trade mark is not relevant to the issues arising under s5(4) and s11(3).

121. In this case both s5(4) and s11(3) depend on the same facts. The question is whether Red Legal acquired an "earlier right" to sue for passing off by the use of the name "RED LEGAL" for residential conveyancing. The dividing line between rights sufficient to give rise to a locality defence under s11(3) and rights sufficient to satisfy a challenge to validity under s5(4) was not explored in argument in any detail. Given the small scale of Red Legal's trade up to the relevant date (10th June 2010) and crucially given its clearly localised nature, focussed on Northampton, I reject Red Legal's case of invalidity under s5(4). However I would accept that Red Legal has the benefit of a locality defence under s11(3). If another firm of licensed conveyancers had opened up for business in Northampton in June 2010 and called itself Red Legal, I am sure the first defendant had sufficient local goodwill and reputation to prevent them from doing so. I think a fair assessment of the geographical extent of that goodwill would be the county of Northamptonshire. Mr Smith's evidence showed Red Legal had nearly 500 properties or clients in that county by the relevant date. I do not accept that the evidence justifies a locality defence as at 10th June 2010 which goes any wider than the county of Northamptonshire.

122. Thus, I reject the s5(4) ground of invalidity of the RED mark but, subject to ***Inter Lotto***, I would allow the s11(3) defence in relation to the first defendant's use of RED LEGAL in Northamptonshire.

s11(2) of the 1994 Act

123. The factors relevant to s11(2) (own name, honest practices) over the RED mark are quite different from the factors applicable to the REDD mark because the RED mark was not on the register when the name Red Legal was coined, and so Mr Smith and Mr Crighton could not have known about it. They had already coined their name before RED was registered. However I do not need to deal with this since I fail to see how the requirement for honest practices in s11(2) could be satisfied here given the infringement of the REDD mark. This point falls outside the reasoning in ***Inter Lotto*** and Mr Vanhegan did not suggest s11(2) could be satisfied in these circumstances. I reject the defence under s11(2).

s3(6) of the 1994 Act

124. The issue of bad faith (s3(6) of the 1994 Act) in relation to the RED mark is a point of some complexity. Mr Hicks says it is bad in law, regardless of the facts, because it involves considering not the intention of the person at the time they applied for the mark but the intention of someone acquiring it after the application has been made but before grant. He relied on the summary of the law in the judgment of Arnold J in ***Red Bull v Sun Mark*** [2012] EWHC 1929 (Ch). Paragraph 131, which is based on other authorities, states that the relevant date for assessing bad faith is the application date. Mr Vanhegan recognises the difficulties in law but reserves the right to take it further. He invites me to make the relevant findings of fact.
125. At this level, sitting in the Patents County Court, I am bound by Arnold J's judgment. Mr Vanhegan did not contend to the contrary. Accordingly I will formally dismiss the attack on the validity of the RED mark under s3(6) on the ground that, regardless of the facts, it is bad in law since it does not relate to intention at the application date. In the circumstances it would not be profitable for me to consider what the law was, if the matter had been free from authority. I will however state my views on the only issue of primary fact, i.e. Redd's intention at the time it acquired the application.
126. Mr Chalkley's cross examination on this was as follows:
- Q. You first conceived the idea of using R-e-d alone as a sign in June 2004, correct, June/July 2004?
- A. We did.
- Q. And since then, you have not used it for over eight years, have you?
- A. Apart from orally.
- Q. You have not used the sign R-e-d as a trade mark to identify your business for ----
- A. No. We use Redd with two dds.
- Q. And you made a positive decision not to use R-e-d. Correct?
- A. We decided to choose Redd for the reasons I have explained earlier.
- Q. And you have not developed any business to a stage where realistically you could use R-e-d as a trade mark, have you?
- A. We have not yet put in place any plans to use Red with one d in relation to any particular aspect of legal services.
- Q. It is inconceivable that you would want to do so, is it not?
- A. I would disagree with that. In fact, to the contrary, there are a number of business ideas where we have thought we may well be able to use Red with one d in relation to certain aspects which would not dilute potentially or have a conflict with the R-e-d-d mark.
- Q. The real reason you purchased this UK registration was not because you wanted to practise in relation to that sign or in relation to those goods or services.
- A. We thought we may be able to use it. An opportunity arose to buy it. I said in my statement that we thought, "Actually, do

you know what, maybe we could make use of this particular trade mark," and that is still our position.

Q. You saw the advantage of obtaining the registration as a defensive barrier against third parties using a mark, including R-e-d, did you not?

A. I am not saying whether it has a particular commercial advantage in addition; maybe it does. At the time, there was a discussion about how we may or may not -- how we may be able to use it. At the time, we did think, "Actually, maybe we could make some use of this mark." That is still our position.

Q. To use that would be, in relation to, for example, conveyancing services, contrary to your business model of you (the three members) using your experience of being able to charge a premium price for that work.

A. In terms of what services we used it for, that is a different question. It does not have to be conveyancing. There is a very broad range of legal services for which we might use that mark.

127. Mr Vanhegan questioned how likely it was that there would be any intention to use RED when Redd acquired the application in 2010 bearing in mind they had considered and rejected RED in 2004. He submitted that Redd consisted of very creative intelligent and sophisticated people and that if they could think of a way of using RED, they would have.
128. Mr Chalkley's testimony on this was careful and I do not mean that as a veiled criticism, far from it. I took him to be making sure he told the truth but I need to be careful not to read more into his testimony that was said. I accept that as part of the process of acquisition of the RED mark, Redd considered use of the mark and thought that maybe they could make some use of it. That was Mr Chalkley's evidence. Nevertheless I am sure that Redd's real and only substantial motive for buying the RED mark at all was as a defensive barrier against third parties. Mr Chalkley did not say it was not. Without that motive, Redd would not have acquired the RED mark.

Personal liability of Mr Crighton

129. Mr Vanhegan described this as not the most important point in the case. Nevertheless it needs to be addressed.
130. As regards the relevant law Mr Hicks referred to **MCA Records Inc v Charly Records Ltd** [2001] EWCA Civ 1441. He submitted that, while directors like Mr Crighton are not liable merely because they are directors, a person who causes, authorises, procures, enables or assists another to commit a tort is liable in the usual way as a joint tortfeasor, and does not escape liability because the tortfeasor is a company of which that person is a director or officer or an employee.
131. Mr Vanhegan referred to the judgment of Peter Gibson LJ in **Sabaf v Meneghetti** [2002] EWCA Civ 976 paragraph 57-59. He submitted that where a person has acted only as an administrative officer of the company and the company has performed the relevant act, that person should not be held liable.

132. I accept Mr Crighton's evidence that the first defendant is not under his sole control and that he does not have a controlling say in its actions. However he and Mr Smith worked together (with some assistance from their wives) to set up the entire business. It was Mr Crighton and Mr Smith who selected the name Red Legal in the first place. They made the decision to use it as the company's only trade mark for the services on offer and they chose what services to offer. It was those two individuals who undertook to check the availability of the name (to the extent they did). I infer that it was those two individuals who were responsible for choosing or at least approving the manner in which Red Legal is actually used in the company's business papers and on the website. They arranged for the registration of the domain name. In fact Mr Crighton rather than Mr Smith actually registered the domain, but I do not think anything turns on that.
133. In my judgment Mr Crighton is personally liable for the infringement by Red Legal in this case.

Conclusion

134. I will give judgment for the claimant. The first defendant has infringed the claimant's Community Trade Mark and the second defendant is liable for that infringement. There is no defence to infringement of the CTM. The position relating to the UK registered trade mark is addressed above.