DECISION OF THE CONTROLLER OF PATENTS, DESIGNS AND TRADE MARKS IN PROCEEDINGS UNDER THE TRADE MARKS ACT, 1996

In the matter of an application for registration of Trade Mark No. 241609 and in the matter of an Opposition thereto.

GUNA DESIGNS LIMITED	**Applicant**
SONOLE DESIGNS LIMITED	**Opponent**
NENA MODELS (HOLDINGS) LIMITED	**Opponent**

The Application

1. On 22 April, 2009 (the "relevant date"), Guna Designs Limited, of Unit 16, Fingal Business Park, Jamestown Road, Dublin 11, Ireland, made application (No. 2009/00735) under Section 37 of the Trade Marks Act, 1996 ("the Act") to register this sign

   QUIN AND DONNELLY

   as a trade mark in respect of the following goods:

   Class: 18
   Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags, umbrellas and parasols;

   Class: 25
   Clothing, footwear, headgear;

   Class: 26
   Lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles, artificial flowers.

2. The application was subsequently accepted for registration and advertised accordingly under No. 241609 in Journal No. 2132 dated 2 September, 2009.

3. Notices of Opposition to the registration of the mark pursuant to Section 43 of the Act were filed on 27 November, 2009 by SONOLE DESIGNS LIMITED, of Hillhead, Castlefin, Co. Donegal, Ireland (hereinafter referred to as "Sonole") and by NENA MODEL (HOLDINGS) LIMITED of Castlefin, Lifford, Co. Donegal, (hereinafter referred to as "Nena Models"). The Applicant filed a counter-statement on 25 February, 2010 and evidence was, in due course, filed by the parties under Rules 20, 21, 22 and 23 of the Trade Marks Rules, 1996 ("the Rules").

4. The oppositions became the subject of a hearing before me, acting for the Controller, on 25 April, 2013. The parties were notified on 16 October, 2013 that I had decided to uphold the opposition and to refuse the registration of the mark. I now state the grounds of my decision and the materials used in arriving thereat in response to requests by the Opponents and the Applicant in that regard pursuant to Rule 27(2) of the Rules.

5. Sonole was incorporated in 2001 by its holding company, Nena Models, for the express purpose of manufacturing, distributing and selling garments and accessories under the QUIN AND DONNELLY mark, which it began doing in 2002. While separate oppositions were launched by Sonole and Nena Models, in effect both were lodged by the proprietor of the two companies (Mr. Paul Sharma). Both are based on identical grounds and, in truth, there was no possibility of one failing while the other succeeded – both would either succeed or both would fail. At no time during these proceedings did the "Opponents" offer anything in evidence or argument to differentiate one opposition from the other. As such, in my opinion, the lodging of two oppositions by the same party, supported by identical evidence and argument, was not warranted and resulted in unnecessary duplication and increased costs for the Applicant and for this office.

6. One Hearing was held and this document comprises the written grounds of the decision in effect of both oppositions.

Grounds of the Opposition

7. In their Notices of Opposition the Opponents state that they enjoy unregistered rights in the Applicant's mark and, by virtue of an agreement with the Applicant, the Opponents have used the Applicant's mark in the course of its business in Ireland and the United Kingdom, since 2002, for goods for which the Applicant proposes to register the mark. The Opponents say they have built up a substantial reputation and goodwill in the Applicant's mark and that since 2002

the mark denotes both to the trade and the public goods provided by the Opponents or entities with its consent and the consent of the Applicant.

8. The Opponents then raise objection to the present application under a number of grounds, as follows:

   (a) The Applicant's mark offends against the provisions of Section 10(4)(a) of the Act to the extent that the Opponent enjoys unregistered rights in the Applicant's mark sufficient to enable the Opponents to prohibit the use of the Applicant's mark in the State;
   (b) The Applicant's mark is calculated to deceive and to lead to the Applicant's goods being passed off as, or mistaken for, goods provided by or for the Opponent and, accordingly, is liable to be prevented by virtue of the law of passing off and would therefore offend against the provisions of Section 10(4)(a) of the Act;
   (c) The Applicant's mark should be refused to the extent that the application for registration is made in bad faith by the Applicant. There exists an agreement between the Applicant and the Opponents whereby ownership of the Applicant's mark is in fact shared between the Applicant and the Opponents. As such the Applicant is prevented from applying for registration of the mark on the basis that it does not have full legal and beneficial title to the mark. In covertly applying for the Applicant's mark without the permission of the Opponent the Applicant's application is made in bad faith;
   (d) The Applicant's mark is not capable, in relation to the goods in respect of which it is proposed to be registered, of distinguishing the said goods from those of other undertakings and registration of the mark would offend against Section 6 and Section 8 of the Act;
   (e) The proposed use of the Applicant's mark is of such a nature as to deceive the public, particularly as to the nature, quality or geographical origin of the goods for which registration is sought and therefore the application offends against Section 8 of the Act;
   (f) Registration of the Applicant's mark would obstruct or prejudice the legitimate conduct of the Opponent's business. Registration should be refused as being contrary to the provisions of the Act in accordance with the judgement and/or discretion of the Controller;
   (g) The Applicant's mark should be refused to the extent that its use is prohibited in the State by any enactment or rule of law or by any provision of Community law including any rule of law protecting an unregistered mark;
   (h) Registration of the Applicant's mark is contrary to Council Directive No. 89/104 EEC to approximate the laws of the Member States relating to trade marks;

(i) The Applicant's mark is not used or proposed to be used by the Applicant or with its consent in relation to the goods and/or services specified in the application and registration of the Applicant's mark would therefore offend against the provisions of Section 37(2) of the Act.

The Opponents also state in their Notices of Opposition that they object to any claim by the Applicant to be entitled to the benefit of the provisions of Section 12(1) of the Act (which deals with honest concurrent use).

Counter-Statement

9. In its Counter Statement the Applicant states that Liz Quin and Carolyn Donnelly (hereinafter referred to as Quin and Donnelly or "the Designers") are leading Irish fashion designers who have been in partnership for over 30 years using their label 'QUIN AND DONNELLY'. They say the Opponents have no rights in the QUIN AND DONNELLY name, label or future trade mark. The Oppositions are based upon rights allegedly arising from an unsigned Draft Agreement of January 2002. The Draft Agreement provided for the future ownership of all labels and brands to be used by the special purpose company Sonole (50% by Nena Models and 50% by Quin and Donnelly) in return for investment in the brand name. The Draft Agreement also provided for the sharing of company profits and for giving Quin and Donnelly full access to the company accounts. The Draft Agreement never became operative. Quin and Donnelly were never given full access to accounts, a share in the profits of Sonole, or full information about profits in the company and this has continued over the seven years of the relationship.

10. They submit that the proprietor of Sonole (Paul Sharma) did not want to complete the agreement because of an apparent unwillingness to divulge full information about the company and profits. As time went on Quin and Donnelly made no further attempts to complete the Agreement because by then it was clear that (a) they were not being given full accounts and were not being treated as equal partners and (b) Sonole was not making the substantial investment to establish QUIN AND DONNELLY as a major brand in the UK as was provided for in the Draft Agreement. The arrangement under which Sonole would manufacture the QUIN AND DONNELLY ranges has never been governed by a completed written agreement as alleged by the Opponents. As the Draft Agreement was never completed Quin and Donnelly retained all rights in their QUIN AND DONNELLY name/label/brand.

11. The Applicant states that the secondary basis on which Sonole is alleging rights in the QUIN AND DONNELLY label is due to the fact that Sonole has manufactured garments having the

QUIN AND DONNELLY name over the past 7 years and that this automatically gives rights in the name to Sonole. The Applicant states that these claims are unfounded as Sonole acted solely as a manufacturer, a function that could have been carried out by any manufacturer chosen by Quin and Donnelly. Sonole has added nothing to the QUIN AND DONNELLY brand that would give rise to any rights in the name/label. All of the design and marketing and expansion of the brand in the UK through retail contacts has been carried out by Quin and Donnelly. The Opponents were not given any rights in the name/label from the beginning of the relationship and have not earned any such rights in the meantime.

12. The Applicant submits that the Notice of Opposition is misguided, unfounded, made in bad faith and is an abuse of process.

13. The Applicant provides detailed background information which chronicles the history and development of the QUIN AND DONNELLY brand and the limited role and involvement of the Opponents in that history and development. Liz Quin and Carolyn Donnelly met as design students and, after graduating 34 years ago, they established the QUIN AND DONNELLY fashion label. They were highly successful and won many awards (e.g. winning the Late Late Show Designer of the Year Award twice) and are widely regarded as one of the best known and most successful designer fashion labels in Ireland.

14. In the first eight years in business together, Quin and Donnelly financed and manufactured their own design ranges using their QUIN AND DONNELLY label that they sold through their own Quin and Donnelly boutiques in Dublin. They also supplied independent outlets in Ireland, the United Kingdom (including Harrods in London) and in some European countries. Among other high profile outlets the QUIN AND DONNELLY label was also stocked in Bloomingdales in New York and Macys in San Francisco. During this time Quin and Donnelly received regular, highly positive coverage in the media (press, magazines and TV) in Ireland and abroad. This included admiring coverage in influential international magazines, such as Vogue. In all this coverage, the designers Liz Quin and Carolyn Donnelly and their QUIN AND DONNELLY label were synonymous. The name QUIN AND DONNELLY was used to refer both to the designers themselves and to their label.

15. The success of their label and the high demand for their clothes attracted the attention of the most prestigious retail group in Ireland and at the end of the 1980s Quin and Donnelly were invited by the Brown Thomas/A-Wear group to design exclusively for them in Ireland. This

development meant a significant up-scaling in their manufacturing output and to achieve this they formed a working relationship with an established manufacturer, Tom McDonald, who financed and manufactured the QUIN AND DONNELLY ranges from 1987 to 1994. At no stage was Tom McDonald offered or did he seek any rights in the QUIN AND DONNELLY label. The profits from the business were shared between Quin and Donnelly and Tom McDonald.

16. As Tom McDonald approached retirement, Quin and Donnelly moved the business to another manufacturer, Peter Catheston. Since they held all rights in their QUIN AND DONNELLY label, when the manufacturing was moved to Peter Catheston, no compensation was paid to Tom McDonald, nor was any sought. The same arrangement then followed for the years 1994 to 2001, with Peter Catheston financing and manufacturing the ranges and the profits being shared. At no time was Peter Catheston offered or did he seek any rights in the QUIN AND DONNELLY label. The business continued to be very successful and by 2001 the annual turnover was in excess of €4 million.

17. In 2001, Quin and Donnelly decided to launch a major expansion of their business into the UK. Peter Catheston's operation did not have sufficient size and scale to achieve this and Quin and Donnelly looked for a new manufacturer for the express purpose of expanding the business into leading stores in the UK and other markets. They identified Paul Sharma as a suitable manufacturer because he already acted as manufacturer for a number of major British fashion chains. Since Quin and Donnelly held all rights in their QUIN AND DONNELLY brand no compensation was paid to Peter Catheston, nor was any sought, when manufacturing switched to Paul Sharma. Quin and Donnelly entered the new arrangement with Paul Sharma on the same basis that had operated with their previous two manufacturers.

18. As the new arrangement got underway, discussions around a proposal to give Paul Sharma's company, Nena Models, 50 per cent of the rights in the QUIN AND DONNELLY name, in return for which Nena Models would establish QUIN AND DONNELLY as a major label in the UK and generate a substantial turnover there. A Heads of Agreement document was prepared and signed by both sides. This Heads of Agreement was not legally binding and was intended solely as a template to a full agreement that was never signed. Sonole, a separate company within the Sharma/Nena Models group, was set up in 2001 to handle the QUIN AND DONNELLY business.

19. However, by 2003 it became clear that Nena Models/Sonole was unable to deliver on the promise, was not investing enough in the brand and did not have the retail expertise and experience to develop the QUIN AND DONNELLY brand in the UK. In spite of requests from Quin and Donnelly, Nena Models/Sonole failed to produce any investment plan detailing how the expansion into the UK was to be achieved. Quin and Donnelly were never given access to full accounts relating to the QUIN AND DONNELLY business, either in Ireland or the UK. For those and other reasons Quin and Donnelly did not sign an agreement with Paul Sharma/Nena Models/Sonole and therefore retained full rights in, and ownership of, their brand.

20. The relationship with Paul Sharma and his companies continued but Paul Sharma acted only as manufacturer and played little or no role in developing the QUIN AND DONNELLY business in the UK. Paul Sharma received all profits from the sale of its manufactured products and paid a management fee to Quin and Donnelly. The business continued to be primarily based on supplying Brown Thomas stores, an existing business that predated the manufacturing arrangement with Paul Sharma.

21. The Applicant then addresses specific claims in the Notice of Opposition, stating firstly that the Opponents do not enjoy unregistered rights in the Applicant's mark on the basis that it has manufactured the QUIN AND DONNELLY ranges since 2002, any more than a Chinese manufacturer of Nike goods would have unregistered rights in that brand. The relationship between the Applicant and the Opponents over the past 7 years was a purely ad hoc arrangement and does not create any rights for the manufacturer in the brand in the absence of an unequivocal completed agreement. All the intellectual input into the brand over the past 7 years has come from Quin and Donnelly and those rights remain with Quin and Donnelly.

22. The Opponents claim to have used the Applicant's mark in the course of its business on foot of an alleged agreement, but only a non-legally binding Heads of Agreement was signed by Quin and Donnelly. The rights proposed in the draft unsigned Agreement were clearly contingent on subsequent execution and dependent on fulfilment of the proposed contractual undertaking by Sonole to make QUIN AND DONNELLY a major brand in the UK. A full agreement was never signed by Quin and Donnelly as it became clear within 2 years that Sonole was unable to deliver on this promise. The failure by Paul Sharma to produce an investment plan and his failure to supply Quin and Donnelly with full accounts of the QUIN AND DONNELLY business, together with a full breakdown and sharing of the profits, were further reasons why Quin and Donnelly never signed a full agreement and never agreed to share their label. The Applicant

states that Paul Sharma made no effort to sign a full agreement and appeared not to want to do so because of his unwillingness to divulge all the financial details of the QUIN AND DONNELLY business. Quin and Donnelly were paid an agreed annual management fee but were never given full information about profits in the company.

23. The Applicant states that the Opponents' claims to have built up a substantial reputation and goodwill in the Applicant's mark are unfounded. Sonole was merely a manufacturer. Quin and Donnelly customers have never heard of Sonole and no one in the fashion press knows Sonole or connects Sonole to the QUIN AND DONNELLY brand name. Few in the retail trade in Ireland know Sonole. The QUIN AND DONNELLY label is a national brand and is synonymous with two people only - Liz Quin and Carolyn Donnelly. Quin and Donnelly have initiated all press coverage, brochure production and exposure for the QUIN AND DONNELLY brand since the working relationship with Sonole began.

24. Due to poor management, failure to invest and lack of retail expertise, Sonole damaged the brand over the past seven years instead of enhancing it. As a result, the stable and growing business with a retail turnover exceeding €4 million in 2002 was reduced substantially within a few years, such reversal having taken place before the recent downturn in the fashion business caused by the global financial crisis.

25. The only major expansion into the UK market over the past 7 years was an agreement with House of Fraser stores across the UK to stock QUIN AND DONNELLY, such agreement having been initiated, developed and completed by Quin and Donnelly, with little or no help from Sonole. That business has been lost and Sonole has closed the QUIN AND DONNELLY concessions in House of Fraser stores. Sonole has not built up any reputation or goodwill for the QUIN AND DONNELLY brand in the UK – the reverse is the case.

26. The Applicant utterly denies the suggestion that its mark denotes, to the trade and the public, goods provided by the Opponents and distinguishes such goods from other manufacturers. The trade and the public know that the QUIN AND DONNELLY label denotes quality garments designed by Quin and Donnelly and neither the trade nor the public know, or wish to know, who the manufacturer of the garment is.

27. The Applicant denies that the application is calculated to deceive and lead to the Applicant's goods being passed off as, or mistaken for, the Opponents. The application does not offend

against Section 10(4)(a) of the Act as the mark applied for is synonymous with the Applicant alone. The Opponents are mere conduits for Quin and Donnelly to bring their designs to their customers.

28. The Applicant denies that the application was made in bad faith as the ownership of the mark is the sole property of the Applicant. The Applicant also denies that the application offends against any of the provisions of sections 6, 8, 10 or 37 of the Act or any Article of Council Directive No. 89/104 EEC.

29. Furthermore, the Applicant denies that the registration of the Applicant's mark would obstruct or prejudice the legitimate conduct of the Opponents' business. The registration of the mark will not alter the current legal position between the parties and the Opponents will continue to manufacture the fashion designs of Quin and Donnelly into the future, subject to the termination of this agreement by either party.

30. The Applicant concludes its Counter Statement by saying that Sonole has failed to arrange any new outlets for QUIN AND DONNELLY and indeed has closed outlets in the UK. It has failed to grow the Brown Thomas business, a business which was developed by Quin and Donnelly and predates their relationship with Sonole. Failure to invest has meant a loss of staff in the UK and Ireland because of poor pay levels and low morale over failure to manage the brand effectively. Paul Sharma has other companies and interests and has insufficient time to develop QUIN AND DONNELLY, as promised. He has minimal contact with Quin and Donnelly, misses meetings regularly and is frequently unavailable, even by phone. The result is poor management and decision taking which has lost Quin and Donnelly substantial business over the past seven years. The brand is worth less today than when the relationship with Paul Sharma began. For these reasons Sonole has not earned any rights or share in the brand over the past seven years and natural justice, as well as the provisions of the Act, means the Applicant should be granted its trade mark.

Rule 20 Evidence

31. Evidence submitted by the Opponents under Rule 20 consisted of a Statutory Declaration and supporting evidence, by way of twenty-one exhibits ("PS1" to "PS21"), dated 23 September 2010, of Paul Sharma, Managing Director of Sonole Designs Limited and Nena Models (Holdings) Limited, of Hillhead, Castlefin, Lifford, Co. Donegal, Ireland, and a Statutory

Declaration, dated 13 September 2010, of James Carr, a partner in PGL, Orchard House, Clonskeagh, Dublin 14.

32. In his declaration Paul Sharma states that he believes the Opponents have a 50% share in the mark QUIN AND DONNELLY consequent to an agreement which is in place between the Opponents and the Applicant and/or Liz Quin and Carolyn Donnelly ("the Designers") since 2002. The parties proceeded to do business on the basis of this agreement and hence this agreement has been acted on over the last 8 years by all parties. Mr. Sharma says that this agreement grants his companies a beneficial interest in the mark. If it is deemed that the Opponents' assertions as to the agreement is inaccurate and it is held that an agreement does not subsist between the parties, then the Opponents have beneficial rights in the mark consequent on their proprietorship of the shared goodwill in the unregistered mark.

33. He states that Sonole was incorporated in 2001 and that Sonole, Nena Models or their predecessors in title have been involved in the clothing industry since circa 1967. The business was started by his family and he joined in 1979. Initially his business had concentrated on developing branded clothing including well-known brands such as NENA, MONA and HASCOL, with each of the brands aimed at different sections of the market. At the time he joined, the business had over 400 customers between Ireland and the UK and two manufacturing plants in Donegal with over 300 employees. A third plant was added in the mid-1980s bringing the total workforce to over 500. The business was much more than a manufacturing business and incorporated sales, design, marketing and distribution functions. The business concentrated on manufacturing its own branded collections of clothing and engaged several well-known designers such as Peter Fitzsimons and Paul Tiernan. Manufacturing for third parties was not part of the business.

34. Paul Sharma states that after joining his business he saw an opportunity to diversify into the multiples sector. Independent boutiques were struggling with the emergence of multiples, such as NEXT in the UK. This presented an opportunity for him to use his extensive sourcing and design strengths and flexibility to take advantage of the radical impact the new multiples were having on the fashion industry at the time. He says he redirected his business towards designing, for each season, collections of clothing which were then sold by him in the UK to large retail chains such as Principles, NEXT, House of Fraser, Debenhams, BHS and Richards, and to Dunnes Stores in Ireland. He emphasises that it was not his business to be simply manufacturing

products for UK multiples but rather providing finished collections from which these multiples could pick and choose to buy. He stated that he personally dealt with each of the multiples.

35. He says that this business model became so successful that he phased out the production of own branded collections. However, for reasons of costs, his manufacturing base moved from Ireland and all manufacturing is now subcontracted. His design centres are now concentrated in the UK with offices in Manchester, London and Nottingham, with his central office remaining in Ireland. He states that providing collections to multiples is still a significant part of his business and his clients include household names such as Marks & Spencer, NEXT, Debenhams, Wallis, Topshop, ASOS, River Island, Monsoon and Miss Selfridge. His name and reputation and that of his business would be extremely well known both in Ireland and in the UK and with international suppliers of fabrics.

36. He states that in 2000 it became clear to him that the market was opening up again for his own branded products, particularly for a more contemporary brand than the ones his business had produced in the 1970s. In early 2001 he approached the Designers (whom he had met on a number of occasions over the years) to explore the possibility of doing business together. On 8th March 2001, he had a lengthy meeting with the Designers in Dublin, who at that stage had been trading under the QUIN AND DONNELLY mark for some years. He stated that, in his opinion, the brand had become somewhat stale and lacking in quality and presentation. The Designers informed him that customers were seeking a wider range and hence they wanted to become involved with someone who could meet these challenges. Mr. Sharma states that he thought the brand still had potential and that he and his business had the capability to add quality, technical input and to expand the product to make them more competitive and appealing to a wider audience. He offered to get involved in return for a percentage of the brand.

37. He states that it was never his intention and it is not the position that his business is simply a manufacturer of products for the Designers. In 2001 he entered into negotiations with them with a view to coming to an arrangement whereby they would continue to design clothing and accessories under the mark, for which they would be paid a fee. He states he made it clear to the Designers that, unlike other previous arrangements they may have entered into with companies who manufactured their products (the details of which he would not have been aware of), his business would not proceed with any arrangement without a 50% share of the rights in the mark. This was agreed between the parties. In return he would fund the business to include paying the Designers their fees for their work on creating the designs but with his business financing the

manufacturing, selling, distribution and other costs associated with the commercialisation of the designs. He attaches at exhibit “PS1” a handwritten note from Ms. Quin where she proposes immediate 50/50 ownership, without any time limit, of the label. Ms. Quin also states that she is giving him/his company 50% of a very valuable brand name in Ireland.

38. In December 2001, after extensive negotiations, Heads of Agreement were signed by the Designers and his business whereby it was agreed that his business would receive a 50% share of the mark in return for manufacturing, financing, selling and distributing the clothing designed by the Designers. He attaches at exhibit “PS2” a copy of this Heads of Agreement. In addition to their fees and a bonus for one year, the Designers were to be entitled to a portion of any profit generated from the business thereafter.

39. Throughout 2002 there were numerous meetings between the parties and their advisers and a draft contract circulated (attached at exhibit “PS3”). Clause 2.01 of the draft indicates that brands were to be owned 50/50 – in Paul Sharma’s view this merely acknowledged what was in fact the position. In the meantime the parties actually commenced to do business together in January 2002. During 2002 Sonole started trading with the sampling of the Winter 2002 collection and placed the Designers in office accommodation in Dublin. His business advanced expenses to the Designers as early as January 2002. In addition, in August 2002 the Opponent paid Guna Design Limited a sum of €32,251.41 to defray expenses relating to the period September 2001 to January 2002.

40. He refers to the Statutory Declaration of James Carr, the contents of which I summarise as follows:

    (i) Mr. Carr is a full-time practising corporate financier (with relevant qualifications and accreditations) who acted for Mr. Sharma since 1998.
    (ii) In or about September 2001, Mr. Sharma approached Mr. Carr for advice in relation to a proposed agreement with the Designers in respect of the QUIN AND DONNELLY label. Mr. Carr advised Mr. Sharma and engaged actively in negotiations with Cormac Gordon, partner of Ivor Fitzpatrick & Company Solicitors, whose firm was acting as legal advisers to the Designers.
    (iii) His instructions from Mr. Sharma were that Mr. Sharma’s business would be responsible for the finance, sales, manufacture and distribution of the designs sold under the QUIN AND DONNELLY brand. In return his business would receive, *inter alia*, 50% ownership

of the brand. Mr. Carr was instructed that the ownership of the brand was integral to the agreement and that no agreement whatsoever between Mr. Sharma's business and the Designers would proceed unless this was agreed. This, Mr. Carr states, was clear to all parties.

(iv) On 21 December, 2001 Mr. Carr signed the Heads of Agreement on behalf of Nena Models, having been authorised to do so by Mr. Sharma.

(v) Following the execution of the Heads of Agreement Mr. Carr had several meetings with Cormac Gordon, the Designers and Paul Sharma in respect of finalising the arrangements between the parties. Mr. Carr states that at no time throughout these negotiations was the ownership of the QUIN AND DONNELLY brand disputed or the subject of any further negotiations.

(vi) On 21 January, 2002 a draft agreement was circulated between the parties. The agreement was never executed nor, following a conversation with Mr. Sharma in or about late 2002, was any attempt made by Mr. Carr to finalise it. During this conversation Mr. Carr was informed by Mr. Sharma that, as a result of discussions between Mr. Sharma and Ms. Quin it had been decided that, to avoid unnecessary legal costs, and as all key points had been agreed, the parties would simply proceed with the arrangement which had already been acted upon. Mr. Carr states that he believes such arrangement was acted upon on the basis of the terms contained in the Heads of Agreement.

41. Mr. Sharma states that he would not have engaged in the expenditure outlined above if there had been any issues over the ownership of the brand. Notwithstanding that further written documentation was not put in place he says that his business and the Designers commenced working together on the basis as agreed between them in negotiations and the Heads of Agreement. He states that, in his experience, it is quite common in the fashion industry to operate on the basis of verbal agreements as it is an industry that is time sensitive. He states that he was approached by Ms. Quin, in or around November 2002, where she observed that putting together the legal documentation was proving expensive and time consuming. Ms. Quin was of the view, and he concurred, that the parties had agreed on the key points and that they should simply continue with the business as they had been doing, without any further input from advisers and/or lawyers. It was not disputed by the Designers that the mark was now owned 50/50 between the Designers and the Opponents.

42. Mr. Sharma says that at the time he entered into his arrangement with the Designers, they were selling their garments through 2 outlets in Ireland, namely A-Wear and Brown Thomas. It was

his view that the appearance of the product was not to the level required and he says this view was shared by the relevant people in A-Wear and Brown Thomas. He engaged a pattern cutter/tailor to review and improve the shape, fit, look, construction and technical aspects of all the garments to be sold to these outlets.

43. He states that an individual named Anne-Marie Flood was the person in charge in A-Wear at the time. She was someone he already knew as he had dealt with her when she had worked for Dunnes Stores. He says that he attended many meetings with Anne-Marie Flood to see how they could invigorate the brand in some way and improve the Designers' way of working, as at that point the designs were not selling at all well in A-Wear and there was a question mark over the long term viability of the arrangement with A-Wear. He says that sales were in decline. He attaches at exhibit "PS4" a copy of a fax message sent by him to the Designers containing a note of a meeting with Ms. Flood dated 25 November 2002, which he says outlines the serious concerns that A-Wear had at the time. As well as containing concerns voiced by Ms. Flood the exhibit also contains Mr. Sharma's comments. The contents of the fax suggest that A-Wear and Mr. Sharma agreed the QUIN AND DONNELLY brand needed to be re-invented.

44. He states that it was decided that a "diffusion" line would be created, to be designed by the Designers. He says he was responsible for directing the Designers in developing the look of this line and introducing suitable cloths as the Designers had no experience of this area. He states the garments for this line were designed by the Designers, but that he was involved in the sales and marketing of the line and that all costs associated with the line were paid for by his business. The line was launched in May 2003 and sales of €770,388 were achieved. However, the business with A-Wear ceased around May 2004.

45. Mr. Sharma stats that by August 2003 it was evident that there were still problems with the sell-through of the designs in A-Wear. He attaches at exhibit "PS5" copies of two e-mails, dated 22 August and 25 August 2003, from Declan Delanty of A-Wear seeking settlement discounts, a markdown guarantee and a request for payment of €34,467, such amount being 50% of the €68,933 VAT-exclusive loss claimed by A-Wear on the QUIN AND DONNELLY line, which A-Wear were seeking to be spilt on a 50/50 basis. Mr. Sharma makes the point that A-Wear were dealing directly with his business on these issues. He states that there were ongoing discussions about the performance of the designs in A-Wear and that A-Wear decided not to place orders for Autumn/Winter 2004.

46. Mr. Sharma states that at the time he entered into his arrangement with the Designers they sold product to Brown Thomas on a wholesale basis. This meant that Brown Thomas took all the risk if the product did not sell. Mr.Sharma says that Brown Thomas informed him that they were very unhappy with the performance of the designs as they only had a 50% sell-through. He attaches at exhibit "PS6" an e-mail (sent to sonole1@eircom.net and paul@nena.ie, the salutation reading "Dear Liz, Caroline and Paul") from Stephen Sealey, director of Brown Thomas, dated 8 April 2003 in which Mr. Sealey states, *inter alia*, "*This performance is deeply concerning: we will drop over EUR500k vs. sales target, and then face enormous mark-downs. This places a question mark over the future of the brand in Brown Thomas*". Mr. Sealey closes the e-mail by stating "*I will call you later today to agree a meeting time to discuss this, and the action we can take*".

47. Mr. Sharma states that between April and June 2003 there were conversations between Brown Thomas and himself about the QUIN AND DONNELLY brand being sold on a concession basis. This means that the supplier would rent space from Brown Thomas, with the concession owner being responsible for paying the staff working in the concession space and also paying Brown Thomas an agreed percentage of the sales revenue. He says that his business was left with no choice but to go with the concession model or else lose the Brown Thomas business entirely. He states that the concession agreement is with the Opponent and not with the Designers or the Applicant. He attaches at exhibit "PS7" an e-mail from Stephen Sealey (addressed to paul@nena.ie and the salutation reading "Paul") wherein Mr. Sealey states, *inter alia*, "*If Quin and Donnelly is to have a future in Brown Thomas, it is as a concession. I feel the amount of time the buyer is required to spend on the label and the level of involvement in product design is not sustainable. Paul, I am working on the basis that Quin and Donnelly will NOT be in the business for Spring Summer 2004, and I am looking for labels to replace this business. If you want to put forward a concession proposal this needs to be done in the next 10 days, before other commitments are made*". Mr. Sharma states that, on 6 August 2003, he was called to a meeting with Paul Kelly, Chief Executive of Brown Thomas, and told that the performance of the brand was no longer tolerable and was informed that Brown Thomas had many conversations previously with the Designers about these issues prior to his business involvement.

48. Mr. Sharma says that it is quite clear that the arrangement between the Designers and his business is entirely untypical of the arrangement which the Applicant is suggesting in its Counter Statement. If his business was simply a manufacturer of garments for the Designers

then his business would not be involved in concession arrangements in stores of behalf of the Designers, nor would it be involved with sourcing materials, sales and development of the designs or financing all the development costs. He goes further and says that a significant amount of the executive contact with Brown Thomas regarding the brand is with himself and not the Designers; that the Designers were aware of his dealings with the mark over a long period of time and had no issue with it. If the Designers were entitled to 100% of the mark, it is hardly likely that they would give Mr. Sharma's business such authority. He says that it is his business that conducts all negotiations with all other independent stores that stock products bearing the mark. His business invoices all the products in question, and it is his business that makes all the payments. The only involvement the Designers and/or the Applicant have is to design the collections for which they are paid and to attend occasional promotional events. Neither the Applicant and/or the Designers pay any costs whatsoever. His business pays for all the research, travel expenditure and development costs associated with the designing of product samples, pattern making, exhibiting and all promotional activity. He says his business has also to pay contributions and give discounts due to poor design performance.

49. Mr. Sharma attached at exhibit "PS8" the following:

(a) A document showing turnover, and profit and loss for the period 30 April 2003 to 30 April 2010.
(b) A document detailing promotional and direct costs associated with the development of the mark for the period 30 April 2003 to 30 April 2010 and the sums paid to the Applicant. The figures show that, excluding 2002 start-up expenses, his business spent €3,666,973 on design, advertising and promotion, travel and other expenses directly relating to the development of the mark.

He says that this investment represents a substantial amount of money (almost half a million Euro annually), which is, in his experience, disproportionate to the revenue generated.

50. He states he was led to believe by the Designers that a sustainable risk-free business of circa IR£2 million existed. However, it was clear from shortly after commencement of his involvement that the brand was struggling severely in Brown Thomas and A-Wear. He says that it is his belief that only for the involvement of his business and his reputation and ability the brand would not still exist today. His business invested heavily and absorbed losses to maintain the business, which he would not have done without 50% of the mark. Within a period of 18

months from May 2003 the original business had dissipated and his business had to almost completely start from scratch and redevelop sales.

51. Mr. Sharma then turns to certain aspects of the Applicant’s Counter Statement. He says the Applicant (Guna Designs Limited) does not exist on the Register of Companies in Ireland; a company called Guna Design Limited does, but this does not appear to be the Applicant. The Applicant asserts that the brand is personal to the Designers, though the Designers individually or collectively are not the Applicant for the mark. He states that no document transferring rights in the mark from the Designers to the Applicant has been produced.

52. He states the assertion by the Designers that they were never given full accounts, a share of the profits of the Opponent or full information about the profile of the company over the 7 years of the relationship are not correct. He says the Designers are not shareholders in Nena Models or Sonole, but have been apprised regularly of the financial position of Sonole and information is forwarded to them annually. He states that since his involvement with the Designers they have exhibited little interest in the financial aspects of the business. He notes that no examples have been given of instances where information was refused.

53. He says the claim the Designers were not given a share of the profits is also incorrect. He attaches at exhibit “PS9” a document which sets out the totals of all of the bonus/profit payments made to the Designers over the life of their arrangement to date. This document indicates that a bonus of €88,881 was paid every year from 2003 to 2009 and one of €71,136 in 2010, notwithstanding the bonus was only due to be paid for year one. The figures contained in the document point to an overpayment of bonus/profile share, in the order of €465,040, to the Designers in excess of what was due to them under the terms of the Heads of Agreement.

54. He states there were no obligations on his business in either the Heads of Agreement or elsewhere to establish the brand in the UK. Nevertheless, his business made a substantial investment in developing the brand in the UK. Through his contacts in the UK he commenced discussions with House of Fraser, as a result of which it started to stock the designs in 2003. He says his business was responsible for the growth of this business to a turnover of circa €758,083 between 1st May 2004 and 30th April 2005. This was achieved through his strategy and action to replace the A-Wear business that was lost. His business succeeded in replacing 100% of the lost A-Wear 2004 business.

55. He states that his business engaged a sales manager, Vincent Frayssinet, in January 2004 to develop the concession business in Ireland and help replace the A-Wear business. In addition, his business also commenced selling to independent stores in the UK and Ireland in 2004/2005, growing it from zero independent customers to 42 customers in Ireland and 35 customers in the UK, between them contributing €1.3million in sales in the 12-month period 2006/2007. This was only achieved through the investment of his company in and commitment to the mark. He attaches at exhibit "PS10" a list of independent customers. His company also opened accounts with 4 Fenwicks Department Stores (a premium retailer in the UK), but the designs did not sell well, and eventually Fenwicks ceased to trade with his company. He summarises that in the financial year ending 30th April 2006, sales with independents, House of Fraser and others totalled €1,603,000 which was 73.8% of the sales generated in 2003 between Brown Thomas and A-Wear, which was subsequently lost. He finds it astonishing how the Designers can claim that his business has not investing in the development of the mark.

56. He says that contrary to what is claimed in the Applicant's Counter Statement the Designers did not seek him out but rather he sought them out as a brand in need of overhaul.

57. He refutes the Applicant's claim in its Counter Statement that QUIN AND DONNELLY customers have never heard of Sonole and nobody in the fashion press knows or connects Sonole to the QUIN AND DONNELLY brand name, and that the Brand is synonymous with the Designers only. Whilst a customer on the high street may not be aware of Sonole there is absolutely no doubt that retailers who stock products bearing the mark, and the suppliers from whom Sonole obtain materials, are all very well aware of the connection between his business and the mark. He attaches at exhibit "PS11" various suppliers' invoices, proofs of payments and invoices to customers all in the name of Sonole.

58. He refutes the claim made in the Counter Statement that his business failed to produce a business plan. He attaches at exhibit "PS12" a sample of a marketing plan and of a marketing strategy update and selling calendar and cost estimates.

59. He states that when his business commenced dealing with the Designers they were dealing exclusively with Brown Thomas and A-Wear, which, in reality, was only one customer as, at that time, A-Wear was owned and controlled by Brown Thomas. The Designers had no live business in the UK. His business very quickly commenced discussions in early 2003 with House of Fraser and following that secured independent accounts in 2004. The sales manager (Vincent

Frayssinet) was relocated to Mr. Sharma's business office in London to further develop the UK market and his business invested in a sales administrator, Lucinda Catterson, for customer service and follow-up, who was based in Ireland.

60. He states a similar situation arose with House of Fraser as had arisen with Brown Thomas. House of Fraser was unhappy with the design and its sell-through and was losing money. This was discussed with the Designers on numerous occasions without improvement. He attaches at exhibit "PS13" an e-mail, dated 10 January 2005, to Liz Quin from Sally Heath of House of Fraser stating that performance has been incredibly disappointing, with a sell-through of 42% and asking for a contribution for Autumn/Winter 2004 to minimise the lost profit.

61. He says that at a meeting with Caroline Withey of House of Fraser on 29 November 2006, also attended by Liz Quin and Vincent Frassinett, he was advised by Ms. Withey that sell-through was 42%, which was way too low and not acceptable. She also noted that she had looked at the Spring/Summer 2007 collection and could not purchase it. He attaches at exhibit "PS14" a note of this meeting.

62. He states his business had no option but to accept a concession arrangement with House of Fraser, as it was an important part of the business. Concession operations commenced in 2007 and huge losses had to be absorbed to set up and try and establish this business. He attaches at exhibit "PS15" profit and loss details for Sonole (UK) for the period 30th April 2007 to 30th April 2010, showing an accumulated loss of €287,834. However, he states that, due to poor design, sales struggled and, following discussions with the Designers, it was agreed to close the concessions in House of Fraser on a phased basis from September 2009 to late 2009. The claim in the Applicant's Counter Statement that the reason for the redundancies was poor pay levels and low moral over failure to manage the brand effectively is not correct. The redundancies resulted from the closure of the concessions.

63. He states the Applicant's allegation in its Counter Statement that the Opponent failed to "*manage the brand effectively*" is in direct contradiction to the Applicant's argument that the Opponent are manufacturers only. If his company was a mere manufacturer it would have no obligation to manage the brand effectively. He says his business managed the brand effectively and demonstrated serious financial commitment to it. However, problems with the designs have resulted in commercial difficulties.

64. He states that, at a meeting in the Westin Hotel in Dublin on 19th March 2008, the Designers both acknowledged the ownership of the label between his business and the Designers and they discussed the potential of the label going forward. Around 5th June 2008, he was asked by Ms. Quin what he intended to do with the mark. This, in his view, affirms that it is accepted that his business had rights in the mark. He states also that he had ongoing discussions with the Designers with a view to purchasing their part interest in the mark.

65. He states that since his business embarked on a venture with the Designers his business has increased the staff associated with the QUIN AND DONNELLY brand from 2 to 40. He attaches at exhibit “PS16” examples of substantial discount his business had to give and repeats that, only for the efforts of his business, he firmly believes the mark would not exist today.

66. He states that one of the Designers acknowledged there were problems with the product and attaches at exhibit “PS17” an e-mail from her to that effect.

67. Mr. Sharma says and believes that the Applicant has acted in bad faith in making the application. Notwithstanding the involvement of his business and the Opponents interest in 50% of the brand, the Applicants did not discuss the making of the application with him or make it known to him. He is aware that 3 days after the Opponents’ Notices of Opposition in these proceedings were filed the Applicant filed a Community Trade Mark application for the mark. Also, the Applicant has sought protection for the mark in Romania, again without reference to him or his business. This he says is underhand and in his view falls short of the standards of acceptable commercial behaviour. He attaches at exhibit “PS18” copies of the Romanian trade mark application and the Community Trade Mark application.

68. He attaches at exhibit “PS19” a copy of an article that appeared in The Irish Times Magazine on Saturday 26th June 2010 and a copy of an article which appeared in the Business Section of The Sunday Times of 5th August 2010. However, I have ignored these as they post-date the relevant date.

69. He says that, despite the Designers claim to initiate all press coverage, brochure production and exposure for the QUIN AND DONNOLLY brand, no examples of such press coverage or brochure production has been provided. He states that any such items were paid for by his business. He attaches at exhibit “PS20” examples of advertising and market expenditure paid for by the Opponents.

70. He refutes the allegations made by the Designers, that because he has other companies and interests, he does not have sufficient time to devote to the QUIN AND DONNOLLY brand and that he has minimal contact with the Designers. He also refutes the allegations that he misses meetings, is frequently unavailable, even by phone, and that this poor management and decision making has caused a loss to the Designers on a substantial basis. He says that he devoted a significant amount of time to the business and had to address, on a regular basis, the organisational ability of the Designers and their inability to adhere to timetables for ranges, while he also dealt with product research and input into promoting the brand. He says that Brown Thomas raised with him the lack of participation by the Designers in regional store appearances on numerous occasions. He attaches at exhibit "PS21" some e-mails and memos concerning these performance issues.

71. Mr. Sharma concludes his declaration by stating that the Applicant is not entitled to be registered as owner of the mark. The Opponents, whether as a consequence of the agreement between the Designers and/or the Applicant and the Opponents, or as a consequence of ownership by the Opponents of the goodwill in the unregistered mark, are entitled to a 50% share in the mark.

Rule 21 Evidence

72. Evidence submitted by the Applicant under Rule 21 consisted of a Statutory Declaration, dated 7 December, 2010 of Liz Quin and Carolyn Donnelly, of Guna Design Limited, of Unit 16 Finglas Business Centre, Jamestown Road Dublin 11 and supporting exhibits contained in a booklet marked "GDL1". Like the Opponents, the Applicant has exhibited supporting evidence that post-dates the relevant date, which are irrelevant to the matter at hand and, accordingly, have been ignored.

73. Ms. Quin and Ms. Donnelly say the QUIN AND DONNELLY brand is associated with both of them exclusively and refer to the material at Tab1 of the booklet marked "GDL1" that contains various media coverage relating to their ownership of the QUIN AND DONNELLY brand during the period 1979 to 2010. QUIN AND DONNELLY was Ireland's top selling designer label prior to their business relationship with the Opponents. The media coverage notes that "*there is a certain quality one has come to expect from Quin and Donnelly*" and that "*they are a big hit abroad and have been the biggest selling Irish label in the UK in recent years*".

74. Ms. Quin and Ms. Donnelly say they registered the mark as a business name and exhibit, at Tab2 of the evidence booklet, documentation to support this. They state that on 15 February, 2002 they incorporated Guna Design Limited, the Applicant herein, as a vehicle through which they have conducted their business ever since that time.

75. They say that the volume of annual sales achieved by the Applicant in relation to the brand QUIN AND DONNELLY prior to the business relationship between the Applicant and the Opponents was approximately €5 million. Up until that time the QUIN AND DONNELLY collection was exclusively sold through A-Wear and Brown Thomas stores. They attached at Tab4 a table detailing sales for the years 2000 (€4,026,895) and 2001 (€5,548,225), the two years immediately prior to the commencement of their relationship with the Opponent.

76. They state that their main purpose in engaging with the Opponents, and more particularly Nena Models, was to expand their sales into the UK and Europe. They aver that the arrangement was that they would be paid a fee for designing clothing and accessories under the QUIN AND DONNELLY mark, consistent with arrangements they had with previous manufacturers and financial backers; but deny that it was agreed that the Opponents would be entitled to a 50% share of the rights of the mark under the arrangement. They say that none of the documents exhibited at "PS1", "PS2" and "PS3" of the Opponents' Statutory Declaration of Paul Sharma evidence the existence of a legally binding agreement assigning a 50% share of the mark to the Opponents.

77. The deponents say the Opponents seek to rely upon a handwritten note prepared by Liz Quin, titled "*Proposed Agreement*" as a basis for the Opponents' claims to a 50% share in the mark, but this proposed agreement is expressly and fundamentally predicated upon a proposed share of profits in new markets, on a 67/33% split, to reflect the Opponents' development of new markets. No such profit division took place and the Opponents have provided no evidence in relation to such a sharing of profits nor have they provided evidence in relation to their major development of new markets as intended. They say that this document cannot in itself be regarded as a legally binding agreement as it refers to a "proposed agreement" only and it lacks all of the important characteristics and legal requirements of a properly binding agreement.

78. They say the unsigned Heads of Agreement dated 21 December 2001 is also not binding and not legally enforceable. They point out that paragraph 15 of that document states "*the parties*

acknowledge that the above constitutes Heads of Terms only and are not intended to create binding legal obligations between the parties".

79. They state that the unsigned draft agreement made at some time during 2002 lacks what is required in order to make it legally binding and enforceable and that there are clearly a number of important terms that require further clarification. They state that they are astonished that the Opponents rely upon these documents that, individually and collectively, cannot be regarded as creating any legally binding and enforceable relations between the parties and as a matter of law these documents cannot be given the weight to which the Opponents wish them to be given.

80. Turning to the Statutory Declaration of James Carr, Ms. Quin and Ms. Donnelly state that the Heads of Agreement document exhibited by Mr. Sharma was not signed by both parties as indicated in Mr. Carr's declaration. They deny Mr. Carr's assertion that the ownership of the label was never disputed during the negotiations. They attach documentation, at Tab6 of the evidence booklet, that refers to ongoing discussions and queries over the proposed terms of agreement, including a letter from Ivor Fitzpatrick & Company to James Carr dated 22 August 2002.

81. Also attached at Tab6 is a memorandum sent by the Declarants to Mr. Sharma in May/June of 2001 which sets out the Declarants' position regarding any possible future business relationship with Mr. Sharma. This document contains, *inter alia*, the following reference to ownership of the QUIN AND DONNELLY label: "*…this must remain with Q and D in Ireland because they alone have created and developed the label here and they alone will be responsible for generating new business here*". They state that the relationship between the parties proceeded on the basis whereby Quin and Donnelly continue to own and operate the QUIN AND DONNELLY label and to design garments for manufacturing and supply to retail outlets by the Opponents, in return for payment of a management fee by Sonole Designs Limited, the company incorporated in 2002 to carry out such trading in relation to their designs. The Declarants state that it is inconceivable to suggest that they were prepared to provide the Opponents with a 50% share in QUIN AND DONNELLY, which at that time had retail sales in Ireland of over €5 million, without adequate consideration for such assignment to reflect the value of a one half ownership in the mark.

82. Ms. Quin and Ms. Donnelly say they were entitled to profits earned by the Opponents and the fee income received by the Applicant was at all times limited to fixed sums agreed and

described at all times as management fees. No budget was ever produced for expansion into the UK and any expansion that did occur was limited and temporary and ultimately came to an end. The Declarants never became board members of either of the Opponents' businesses or had any role or involvement in decision making relating to them.

83. They accept that the Opponents are not simply a manufacturer and they concede that the business relationship that existed between the parties since 2001 involves the Opponents providing financing, manufacturing and distribution services in relation to the designs and products created by the Applicant. They also accept that the Opponents arrange for the sale of all such products after manufacture through both concessions and independent retailers. However, they say the Applicant controls all aspects of the design of the ranges including the choice of fabric and design of garments and this type of relationship is consistent with other leading designer labels that have financial backers, manufacturers and distributors. They are also heavily involved in selling the ranges and dealing with queries from retail outlets, liaising with retailers, in particular Brown Thomas, dealing with the media, and generating publicity for the brand through interviews and personal appearances. They say their arrangements with the Opponents matches the arrangement that had with their initial two financial backers and manufacturers over the previous 22 years.

84. They state that it is incorrect of Mr. Sharma to declare his business would not proceed with any arrangement without a 50% share of the rights in the mark, as clearly this is what in fact occurred. Proof of that is in the documents that have been submitted on behalf of all parties in this dispute.

85. They say that the engagement of a pattern cutter/tailor by Mr. Sharma is a normal feature of this type of business arrangement and that they have always worked with pattern cutters, but at all times they direct the pattern cutters in their role and duties.

86. The Declarants acknowledge that certain suppliers are aware of Sonole, but at a consumer level, the QUIN AND DONNELLY mark is synonymous with the Declarants.

87. They say sales in A-Wear did begin to decline after the commencement of the business relationship between the parties and the principle reason for the decline was due to late deliveries of stock to the A-Wear store. They say this is acknowledged by Mr. Sharma in his

evidence exhibited at "PS4". Business with A-Wear ceased in or around May 2004 as a result of late deliveries, quality problems and a change in focus for A-Wear.

88. They state that the pressure to move to a concession arrangement in Brown Thomas resulted from a change in business model for Brown Thomas, which saw the same pressure applied to all designer labels, not just QUIN AND DONNELLY. Brown Thomas was entirely satisfied with the brand and wanted concession in all four stores. They attach at Tab8(a) a letter from the Sonole sales manager, Vincent Frayssinet, dated 9 October 2007 wherein he states "*We are now the best performing concession in the Brown Thomas group after Karen Millen and Coast. Our annual turnover for the four stores exceeds €3,000,000. In 2005 figures for the four concessions were up 25% on the previous year and for Spring Summer just gone we have been trading 22% up on 2005*". The brand continued to be successful in Brown Thomas and remains there to this day.

89. They say the documentation exhibited by Mr. Sharma at "PS8" has not been independently verified because the Opponents have refused to allow the Declarants full access to their accounts. Insofar as Mr. Sharma claims the Opponents suffered losses in relation to the QUIN AND DONNELLY business, then such losses are attributable to the Opponents' production quality problems, late deliveries, inconsistent stock ordering and poor management at retail level. Such losses are not the result of poor design.

90. They state that it is inaccurate and misleading for Mr. Sharma to ignore the role which they have played in relation to advertising and promoting of the manufactured products. In addition to the role they played in promotional activities (evidenced at Tab1), they also refer to a sample of e-mail correspondence, at Tab8(b) of the evidence booklet, which highlights their direct role with regard to such activities.

91. They say the correct title of the Applicant is "Guna Design Limited" and not "Guna Designs Limited" as erroneously stated on their application form. It is correct that this company has a registered office at Unit 16, Finglas Business Centre, Jamestown Road, Dublin 11 but it is denied that this building is rented in its entirety by Sonole Designs Limited. Sonole Designs Limited rents a portion of the building along with three other tenants.

92. They address Mr. Sharma's claim that the Applicant has not established any rights in the mark by stating the Applicant is a private limited company with shares owned wholly by the

Declarants and is a vehicle through which the Declarants have operated the mark. They say the draft negotiation documents on which the Opponents purport to rely in relation to their claim for ownership of a portion of the mark refer to a private limited company with shares as being the business vehicle for designing clothing under the title QUIN AND DONNELLY. Moreover, all management charges have been invoiced from the Applicant to Sonole Designs Limited in relation to all design work concerning the mark.

93. They say that Mr. Sharma's reliance upon the proposition that in the absence of a legally binding agreement, his practice of exploiting the brand for his own profit established his ownership of the mark is a proposition without legal authority and is contrary to basic principles of contract law.

94. They differ to Mr. Sharma regarding accounts, saying that the draft accounts schedule at Exhibit PS9 have not been independently verified or examined by them. Furthermore they state Mr. Sharma is incorrect to suggest that bonus payments were made to the Applicant at any time during the course of the Applicant's relationship with the Opponents. At all times, the only fees received by the Applicant and/or the Declarants from the Opponents were expressly described as "*management charges*" payable to the Applicant representing fixed fees irrespective of the profits earned or losses made by the Opponents in the course of their dealings with the mark. They say that it is noteworthy that the alleged "bonus paid" remains at a fixed amount throughout the period covered by Mr. Sharma's account schedule and this figure is not indicative of a profit sharing arrangement as contended by Mr. Sharma. These payments were not "*linked to profits*". They say that Mr. Sharma concedes that the Applicant cannot be properly described as "*equal partners*", notwithstanding his claim for an equal share of ownership of the mark.

95. They refer to paragraph 33 of Mr. Sharma's Statutory Declaration wherein he maintains that "*There are no obligations on my business in either the Heads of Agreement or elsewhere to establish the brand in the UK*" and say that they accept that that is the case, because no such formal legal agreement came into existence. However, the negotiation documents upon which Mr. Sharma relies, in particular the note prepared by Liz Quin on 14 December 2001, exhibited by Mr. Sharma at "PS1", clearly and unequivocally refers to a share in the profits of the exploitation of the mark being available in return for developments in other markets and the sharing of resulting profits.

96. They say that Mr. Sharma's assertion that "*through my contacts in the UK I commenced discussions with House of Fraser (who I had dealt with previously in my own business which had a substantial turnover with House of Fraser) as a result of which it started to stock the designs in 2003*" is untrue. They attach at Tab9 of the evidence booklet a letter from Quin and Donnelly to Catherine Horssall, Buying and Merchandise Director in House of Fraser, in which they provide a brief summary of the designer label and indicate that they were looking for outlets in the UK and thought that House of Fraser would be suitable. The letter suggested a meeting with House of Fraser, which then took place, and a subsequent business arrangement was entered into. They say they made initial contact and that Mr. Sharma did not even attend the initial meeting.

97. They say efforts to develop business for the mark in the UK by Mr. Sharma were limited to small independent retailers and that, in any event, such custom was sourced by the Declarants themselves during the course of their attendance at UK Fashion Trade Fairs. They say Mr. Sharma did not arrange any business dealings with the large multiples. They deny the Opponents opened accounts with Fenwicks Department and maintain that this retailer was sourced by the Declarants through their contacts at a trade fair.

98. They dispute Mr. Sharma's claim that he arranged for a sales manager, Vincent Frayssinet, to be based in London claiming that Mr. Frayssinet moved to London for personal reasons. They say that Mr. Fraysinet's replacement in Ireland, Lucinda Catterson was not qualified for the sales position she assumed in Ireland at that time.

99. They say that Mr. Sharma's contention that annual turnover of business prior to entering into a commercial relationship with the Opponents was in the region of €2.2 million is incorrect and that it was in excess of €4 million, and refer to the accounts document attached which clearly shows that retail turnover in 2002 was in excess of €5 million.

100. They state Mr. Sharma acknowledges that his business did not have retail experience at the time of entering into a commercial relationship with the Applicant, which proved to be a major handicap in their attempt to develop new business in the UK. They say that it caused problems in relation to existing successful business in Ireland and that there are still ongoing problems in the retail end of the business with late and inconsistent deliveries, no electronic tagging system, no centralised computer system to monitor QUIN AND DONNELLY sales across the stores, no staff support, poor staff morale, styles not being available due to inconsistent planning, all of

which is a result of poor retail management by Mr. Sharma and his business with the resultant effect of damaging sales.

101. They say that Mr. Sharma's analysis of what happened with House of Fraser is incorrect. House of Fraser, just like Brown Thomas, was seeking to move QUIN AND DONNELLY and numerous other labels down the concession route. The difficulties with House of Fraser were not a result of unhappiness with the Declarants' designs. When the concession arrangement commenced at the end of 2007 the label performed well. The difficulties were related to late deliveries and miscalculations regarding quantities ordered which lead to unsold stock or to a shortage of certain items, which were outside of the control of the Declarants. They refer to evidence of difficulties with late deliveries dated August 2002, June and July 2003; January, February and August 2004; May and October 2006; March and November 2007, and February 2008.

102. The Declarants vehemently deny that they made any admission to Mr. Sharma that ownership of the label was between them and Mr. Sharma's business at the Westin Hotel on 19 March 2008 or at any other stage. They admit they did discuss with Mr. Sharma the future of the business but they certainly did not cede over joint ownership of the mark as alleged. They say that all the intellectual input into the brand over the past seven years has come from them and that Mr. Sharma has provided no evidence whatsoever in relation to his claimed intellectual input into the brand.

103. Insofar as Mr. Sharma relies upon an e-mail from one of the Designers to him (submitted in his evidence as Exhibit PS17), the Declarants say that this related to a brief consideration on the part of the Declarants to separate ranges as a way of offering more coherent ranges to customers and generating extra sales in the future. They state that they decided not to pursue this course of action.

104. They say that they have used their personal contacts to maintain a high media profile for the mark in spite of the failure on the part of Mr. Sharma to properly fund such publicity. Any expenditure on such matters by Mr. Sharma and his business is exceptionally low and a fraction of the usual amount required to promote leading designers such as Quin and Donnelly. They say they also set up and paid all the design costs for the "*Quin and Donnelly*" (.ie domain name) website.

105. As regards the plethora of documents relating to alleged performance issues on the part of the Declarants they say that two points emerge: (1) such performance issues cannot be deemed to be attributable solely or mainly to design issues and (2) there is no mention throughout this correspondence of ownership by Mr. Sharma or his business of the mark. They say that it is inconceivable that no mention would be made to the damage in the value or reputation of the mark in the event that Mr. Sharma or his business genuinely believed that they had an ownership in same.

Rule 22 Evidence

106. Evidence submitted by the Opponent under Rule 22 consists of a second Statutory Declaration of Paul Sharma and supporting evidence, by way of forty exhibits ("SPS1" to "SPS40"), dated 5 April 2011. In addressing the Statutory Declaration filed by Liz Quin and Carolyn Donnelly he repeats much of what he says in his first declaration. He also resubmits much of the supporting evidence exhibited to his first declaration. Furthermore, he attaches some supporting evidence which post-dates the relevant date for these proceedings, which is irrelevant and which I have ignored. He makes extensive comments on the Applicant's Statutory Declaration, and, in so doing, repeats many points over and over. What follows is a summary of the relevant contents and exhibits which have not already been mentioned above.

107. He says the press coverage exhibited by the Designers contains many factual inaccuracies and provides examples of same, which refer to articles published from as early as 2005.

108. He attaches at exhibit "SPS40" copy invoices received from the Applicant in 2003 which he states are in respect of payment of the minimum guaranteed bonus (€88,881) as per the terms of the 2002 agreement (wherein the Applicant refers to the chargeable item as "*extra management charges*"). In the first year the business made an operating profit of €115,045 before tax and in the second year a profit of €87,538 before tax. He says that in addition to their design fees the Designers were paid each year a bonus/profit share of €88,881, which is well in excess of the 50% profit share for Ireland and the 20% profit share for the UK as provided for in the Heads of Agreement. He says that for the 8 financial periods ending on 30th April 2010 the Designers have received profit-sharing sums totalling €693,303, notwithstanding that the Opponent had a deficit of €411,141 (he provides a table detailing the profit and loss and bonus payments to the Applicant during that period). He states, accordingly, the Designers have received in excess of their entitlement under the Heads of Agreement.

109. He states the Opponents have no record of receiving the memorandum exhibited at "Tab 6" of the Applicant's evidence. He attaches at exhibit "SPS3" a document received on 2 July, 2001 by fax from the Designers, which would appear to be similar to the memorandum submitted by the Applicant at "Tab 6", upon which the Applicant had entered in handwriting "*May/June 2001*". He says that there are substantial differences between the document he received and the memorandum claimed to have been sent by the Applicant and he highlights the differences. He requests that the Applicant be requested to provide proof that the memorandum they purport to rely on was sent in the version exhibited at "Tab 6".

110. He responds to the Applicant's statement that it was not "*afforded proper access to the accounts and relevant accounting details*" by attaching the following:

i. An e-mail dated 15 October 2008 at exhibit "SPS5", wherein he attaches sales figures for Brown Thomas and House of Fraser concessions for the week ending 12 October 2008;
ii. An analysis of the Brown Thomas concession (covering December 2003 to August 2005) at exhibit "SPS6", which he states was handed to the Designers at a meeting.
iii. A number of e-mails at exhibit "SPS7" sent to the Designers containing House of Fraser and Brown Thomas sales figures for specific periods, over a number of years.
iv. A copy of an e-mail dated 23 January 2006 at exhibit "SPS8", wherein the sender (Cyril Gilhawley) states that he has "*already sent to Paul/Liz/Carolyn details of each year's Sonole expenditure to date plus 8 months actual 2005/2006*" and "*a graph was done for every quarter showing sales, sales trend, expenses, expenses trend*".
v. A copy of the notes of a meeting held on 7 September, 2007 the contents of which contain details of sales figures for Spring/Summer 2007 and 2008 and Autumn/Winter 2007.

111. He exhibits at "SPS11" and "SPS12" documents which point to poor sales performance at House of Fraser in January 2005 and A-Wear in March 2003 respectively. Exhibits "SPS13" and "SPS14" contain e-mails (dated August 2005 and March 2006 respectively) from Vincent Frayssinet (Sonole Sales Manager) wherein Mr. Frayssinet details difficulties he has selling the collections.

112. He exhibits at "SPS16" a number of e-mails which he states evidence the serious difficulties his business encountered due to the disorganisation of the Designers. He attaches at "SPS17" an e-mail from Audrey Owens of Brown Thomas dated 29 January, 2009 wherein she

complains about the "*poor level of support we get to promote the business within Brown Thomas*" and that "*…the designers themselves have not been involved...*".

113. He does not accept the Designers' assertion in their Statutory Declaration that they initiated contact with House of Fraser in the UK and states that he suggested House of Fraser as a suitable customer for the brand and that he introduced House of Fraser to the Designers. Likewise, he states that it was his business, not the Designers, who secured the account with Fenwick's Department Store. That account was opened as the result of his sales manager's attendance, on behalf of his business, at trade fairs which were paid for by his business. He attaches at exhibit "SPS20" an e-mail from Vincent Frayssinet that shows Mr. Frayssinet opened and managed the Fenwick's account. He also attaches at exhibit "SPS21" another e-mail from Vincent Frayssinet containing a proposal for UK and Irish wholesale business wherein there is mention of showing the collection in London in order to target Fenwicks, Selfridges, Harrods and Harvey Nichols department stores.

114. He attaches at exhibit "SPS35" documentation which he claims evidences the disorganisation of the Designers and the continuous late deliveries of the collections which his business continuously encountered with the brand throughout his business relationship with the Designers. He states that customer feedback demonstrates that there were serious issues with the product designs.

115. He takes issue with the Designers' claim that they set up and paid all the design costs for the "*Quin and Donnelly*" (.ie domain name) website and exhibits at "SPS36" an invoice from the website developer dated 1 September, 2006 to his company in relation to the set-up of the said website. He states this invoice was paid by his business on 13 October, 2006. He exhibits at "SPS37" a memo from Cyril Gillhawley, a director of the Opponent, dated 11 December, 2006 to the Designers, which shows the Opponent's displeasure regarding the setting up by the Designers of the website in their personal names and the Opponent's unwillingness to allow the said website to be linked to the Opponent's (Sonole) registered website when Sonole would not have full control of the new website, and which would undermine the value of the expenditure on all activities on the QUIN AND DONNELLY label that has been funded entirely by Sonole so far.

116. A supplementary Statutory Declaration, dated 29 April 2011, was filed by Paul Sharma the contents of which relate mainly to the correction of financial information contained in his two

earlier declarations. He states that, subsequent to his swearing of the earlier declarations, his accountant brought to his attention the fact that the original figure of €465,040, claimed by Mr. Sharma to have been overpaid to the Designers, was incorrectly calculated. The net effect of the correction is the lowering of the amount claimed to have been overpaid to the Designers to €265,649.32. The supplementary declaration also corrected a typographical error. While this declaration was filed after the time allowed it was accepted by the Controller on the basis that its contents corrected errors in the first two declarations, and having done so the relevant material was now more favourable towards the Applicant.

Rule 23 Evidence

117. The Applicant made an application for leave to file further evidence under Rule 23 which, following a Hearing, was granted in respect of, and to be confined strictly to, 10 specific aspects of the Opponents' evidence filed under Rule 22.

118. Evidence submitted by the Applicant under Rule 23 consists of a Statutory Declaration of Liz Quin and supporting evidence, by way of exhibit "Q&D2", dated 5 September 2012. Ms. Quin refutes the allegation of underhandedness on the part of the applicant in registering the website QuinandDonnelly.ie in the designers' personal names. She says that Quin and Donnelly repeatedly asked Mr. Sharma to establish a website to expand the business but he never did. Eventually Quin and Donnelly took it upon themselves to establish a website. The quinanddonnelly.com site was not available as Mr. Sharma had already registered it without informing the Designers, so to prevent their exclusion from the on-line business carried out in the name of their label, Quin and Donnelly registered the QuinandDonnelly.ie domain name. They informed Mr. Sharma of this and he paid for the initial design of the site. She attaches at exhibit "Q&D2" proof of the Designers' ownership of the domain name. She says that in the years since the site was established Quin and Donnelly paid for a complete redesign and seasonal updates. The site was never used in a manner that would exclude Mr. Sharma or damage the business and that Mr. Sharma has profited from all business secured through the website.

119. As regards Mr. Sharma's claim that the Designers provided a "*poor level of support*" for the Brown Thomas business, Ms. Quin says that the Designers undertook as many personal appearances and workshops that Mr. Sharma would pay for. Brown Thomas expected a certain standard to be met, which included paying for Brown Thomas staff involved and refreshments. However, Mr. Sharma was reluctant to pay the basic costs involved. Quin and

Donnelly compensated for the lack of funding from Mr. Sharma for customer events and fashion shows by generating more press coverage for the brand.

120. Ms. Quin states that Quin and Donnelly were present with Sales Manager Vincent Frayssinet at the trade fairs where contact was made with Fenwick's Department Store and that it was Quin and Donnelly who were primarily responsible for persuading the store to carry the QUIN AND DONNELLY label. Mr. Sharma did not attend trade fairs as his role was as backer/manufacturer.

Written submissions in lieu of attending at a hearing

121. In its written submission, filed in lieu of attending at a hearing, the Applicant summarises the main points from the extensive Statutory Declarations filed in this matter. These are as follows:

(i) Liz Quin and Carolyn Donnelly are the exclusive shareholders and directors of the Applicant and they have been trading under the name QUIN AND DONNELLY for over 30 years on their own behalf and more recently as the Applicant.

(ii) They have had genuine and bona fide use of the mark for over 30 years and the mark is clearly synonymous with them and the Applicant throughout the clothing market.

(iii) The business name "Quin and Donnelly" was registered to Liz Quin and Carolyn Donnelly in October 1996.

(iv) The label was successful immediately prior to the relationship with the Opponents (evidence by the retail turnover figure in Brown Thomas / A-Wear was €5,548,225 in 2001) and the claim by the Opponents that the brand was in serious jeopardy is refuted.

(v) The propriety right to a share of the mark asserted by Mr. Sharma by virtue of the Opponents' alleged investment and attempts to develop the brand and increase the level of sales in the UK is contested. Any investment by the Opponents was not sufficient to maintain and develop the brand in the UK.

(vi) The negotiations concerning a possible share in the mark ultimately ended in confusion and failure. The Opponents cannot produce any documents of a legally binding nature to support the Opponents' unsubstantiated claim. In any event, mention of the proposed sharing of ownership of the label was predicated upon a share of the profits (which never occurred) and was by reference to business in the UK only and was in the context and contingent upon Mr. Sharma establishing QUIN AND DONNELLY in a large UK multiple store group on a permanent basis on a similar or greater scale than their business in Ireland. This was not achieved. Any assertion to rights in the label is incredulous, given the fact that at no stage was consideration commensurate with any purported assignment of a share label with an annual turnover of €5,548,225 discussed or countenanced by the parties to these negotiations.

The Hearing

122. At the Hearing the Opponents were represented by Glen Gibbons BL instructed by Colette Brady, Solicitor, of DFMG Solicitors. Mr. Gibbons confined his arguments primarily to the grounds of bad faith and earlier rights (passing off) and it is on these grounds that I have decided this matter. He mentioned also that the Opponents raise a fundamental objection to the Applicant's status given that a company with that name is not registered with the Companies Registration Office.

123. I will deal with the last issue first. It is not the practice of the Controller to require applicants, who make an application to register a trade mark in the name of a company, to prove that the company exists, that it is registered with the Companies Registrar and that the name on the trade mark application form is identical to that on the Register of Companies. While the Applicant is Guna Designs Limited and the Register of Companies shows the correct name to be Guna Design Limited, I am satisfied that both names refer to the one and same company owned by Liz Quin and Carolyn Donnelly. It is not the case, nor has it been suggested, that two separate entities bearing the respective names and owned by different shareholders exist. The slight difference can be attributed to a mere typographical error and I am happy the issue has no bearing on the substantive matter at hand.

Bad Faith

124. Mr. Gibbons argued that a joint venture agreement (dated January 2002) existed between Nena Models and Guna Designs at the date of application and that the said Agreement provided for 50% ownership of the QUIN AND DONNELLY mark by both parties. Irrespective of the said Agreement, the Opponents have built up a substantial goodwill in the QUIN AND DONNELLY mark sufficient to render the application one made in bad faith and in contravention of Section 8(4)(b) of the Act, which is written in the following terms:

> *"A trade mark shall not be registered if or to the extent that-*
>
> ...
>
> *(b) The application for registration is made in bad faith by the Applicant."*

125. He directed me to a number of authorities regarding the principles to be applied in determining the issue of bad faith. These show that while there is no legal definition of *"bad faith"* it is accepted that it constitutes dishonesty, including dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined. In order to determine whether there was bad faith in the making of the application at issue I must consider the relationship that existed between the parties, what the Applicant knew at the date of application, the motives of the Applicant in making the application and all materials relevant to the foregoing.

126. In these proceedings the issue of bad faith rests primarily on the fundamental question "was there an agreement that gave the Opponents a stake in the QUIN AND DONNELLY mark?"

127. The Opponents claim that if it were not for them the QUIN AND DONNELLY brand would not be in existence today, while the Applicant claims that the brand has been severely damaged by the Opponents. The relationship between the parties was on the wane prior to the filing of the contested application and the evidence submitted in these proceedings clearly shows that there is no love lost between the parties and that each side blames the other for the breakdown of the business relationship. These proceeding are notable for the level of acrimony between the parties. It appears to me, much effort was expended in trailing through letters, e-mails, minutes of meeting etc. involving the parties, employees and customers from mid-2001 to the application date in 2009, and beyond, in order to dig up dirt. Each sentence of each piece of material seems to have been parsed to identify any possible ammunition to fire at the other party. Oftentimes a particular and unfair slant was put on wording as proof of an allegation, or content was quoted completely out of context. Most of the evidence submitted focused on doing the other side down and, it appears to me, both sides felt the more mud they could sling at the other side the stronger their case would be.

128. But I have paid little attention to the mud-slinging. Whatever difficulties the parties had with one another between 2001 and 2009 the fact of the matter is they continued in business together for 8 years, and that business was successful. Bearing in mind the Applicant's claim that there was no binding agreement in place the question must be asked "*If things were as bad as is claimed, why did either party not just walk away*?" This leads me to believe that whatever difficulties there were, little was made of them at the time or the parties worked them through or they lived with them.

129. The Applicant claims that there was no "*legally binding*" agreement in place and that the parties observed the same arrangements that were in effect between the Designers and their previous financial backers/manufacturers. I cannot reach any conclusions as to the existence of a "*legally binding*" agreement as this is a matter best left to the court to decide. However, I utterly reject the claims that no agreement existed between the parties. It is simply not credible that the parties would commence a relationship without terms and conditions being agreed, either by way of a legally enforceable contract, or on the basis of terms and conditions agreed in writing or verbally or combination of both.

130. I have considered the state of play at the commencement of the relationship between the parties in 2001. Irrespective of whatever earlier customers the Designers had, or the number or locations of previous QUIN AND DONNELLY stockists, at the time the parties came together the Designers were designing clothes exclusively for the Brown Thomas Group (i.e. Brown Thomas and A-Wear stores). They were not dealing with any other retailer anywhere in the world. But, their presence in Brown Thomas, the most exclusive and foremost fashion retail outlet in the State, is proof-positive that the Designers were very successful at that time. Their designs generated retail sales of over €5million.

131. The Applicant claims that its business relationship with the Opponents matched the arrangements they had with previous manufacturers. These arrangements, which were operative for the previous 22 years, did not result in any proprietorship rights in the QUIN AND DONNELLY brand being vested in, or claimed by, the previous manufacturers. However, the Opponents claim that at no time did they sign up to arrangements similar to those that the previous manufacturers entered into. They claim they never had sight of the terms and conditions of any of the Designers previous arrangements. They did not know nor did they wish to know anything about them, as the Opponents never countenanced entering into similar arrangement and were interested only in bringing their own terms and conditions to the table.

132. No evidence as to what agreements existed between the Applicant and its previous business associates was entered into evidence, so I am none the wiser as to what they were. There may have been "legally binding" agreements in place or the parties may have operated on the basis of a verbal agreement. However, the Applicant, in its Counter Statement, casts doubt on its claims that the arrangements were to be the same as previous agreements by stating "*In 2001,*

Quin and Donnelly decided to launch a major expansion of their business into the UK. Their then manufacturer Peter Catheston's operation did not have sufficient size and scale to achieve this and Quin and Donnelly looked for a new manufacturer for the express purpose of expanding the business into leading stores in the UK and other markets. They identified Paul Sharma and his Nena Models Company as a suitable manufacturer because Paul Sharma already acted as manufacturer for a number of major British fashion chains". In my opinion this passage indicates the Designers were looking for far more than just another manufacturer; they were looking for someone who could gain a significant foothold in the UK and other markets; someone with particular expertise and experience, way above mere manufacturing capability. That someone would have to undertake a significant financial investment, which may or may not yield a return.

133. In its written submission, filed in lieu of attending at the Hearing, the Applicant argued that any assertion to rights in the label is incredulous given the fact that at no stage was consideration commensurate with any purported assignment of a share label with an annual turnover of €5,548,225 discussed or countenanced by the parties to these negotiations. The figure quoted is grossly misleading. In 2001 three distinct entities were trading in the QUIN AND DONNELLY brand - the Designers, Peter Catheston (the then manufacturer) and the Brown Thomas Group. While the €5 million figure relates to retail sales in the Brown Thomas Group (Brown Thomas and A-Wear), when retail mark-up is taken into account, the value of the manufacturing business, which was what the Opponent would be engaged in, was more likely to have been in the region of €2 million. So claims by the Applicant that the Opponent would be buying into a business worth €5 million do not reflect the reality of the proposition.

134. The Designers did not have a €5 million per annum virtually risk-free business. The Designers were not involved in manufacturing, wholesale or retail. Any valuation of the brand in terms of worth to the Designers must be based on the Designers business alone, which is the business of designing. The evidence suggests that the Designers business generated turnover or income (fees, bonuses and profit-share) typically in the order of €220,000 per annum. It is upon this figure the value of the brand to the Designers must be based. It is unlikely the Designers were going to receive income less favourable than those received during their previous business relationship (otherwise there would be no reason to depart from that relationship), but with the possibility of enhanced profit-share based on increased sales in the UK and elsewhere. To offer a 50% share of the brand to the Opponents in such circumstances was not, in my opinion, as incredulous as the Applicant was making out.

135. The Applicant states that brand sharing was never on the table at any time during the 22 years it dealt with its two previous manufacturers. As already mentioned, no evidence was furnished to show what the previous arrangements were, but I am satisfied that whatever they were, the parties involved were perfectly happy with them. However, it is absolutely clear, when the Opponents entered the scene the issue of brand ownership was put centre-stage and, despite claims to the contrary, the evidence shows the Applicant freely engaged in negotiations with the Opponents regarding shared ownership of the brand. Not alone were the parties personally engaged in negotiations, the Applicant engaged Ivor Fitzpatrick & Company Solicitors as legal advisors to the negotiations and Mr. Sharma availed of the services of his long-standing financial and corporate advisor, James Carr. While the negotiations may not have resulted in a "*legally binding*" agreement, nonetheless it leads me to conclude that different arrangements to those entered into with previous manufacturers were openly and constructively pursued by both parties.

136. Furthermore, both the Designers and Mr. Sharma incorporated new companies (Guna Design Limited and Sonole Designs Limited respectively) for the express purpose of operating their business relationship. The Designers have not indicated they established new companies to operate either of their business relationships with their previous manufacturers. In my opinion, by establishing the Applicant company, the Designers were acting on the terms of the draft agreement, such action being a clear indication of a significant departure from the arrangements they had with their previous manufacturers.

137. Initial contact between the parties took place in March 2001 and negotiations began in earnest by mid-year. The typed document with the words "May/June 2001" hand-written at its head and submitted by the Applicant at "Tab 6" of its book of evidence contains the first indication of the Applicant's willingness to engage in a business relationship with the Opponents and on what terms it was willing to so engage. The Applicant claimed to have sent this memorandum to Paul Sharma in May or June 2001. However, Mr. Sharma states that he did not receive that document, but did receive a different document by fax on 2 July, 2001, which he swore into evidence at exhibit "SPS3". The Opponents called on the Applicant to prove that the version the Applicant sent to the Opponents was the version entered into evidence by the Applicant at "Tab 6". The Applicant was afforded an opportunity to do so by me on foot of an application by the Applicant to file additional evidence under Rule 23. However, the Applicant did not provide such proof nor did it provide any explanations as to why the versions are different.

138. There is the possibility that some underhandedness was at play or it could be that the Applicant submitted an early draft of the document by mistake. However, I am satisfied that the version submitted into evidence by the Opponent is the correct version, as sent by the Applicant to Paul Sharma. Many of the differences between the documents do not amount to much, but in totality they show the Applicant was taking a more hard-line negotiating position in the Applicant's version than in the real version received by Mr. Sharma and entered into evidence by him.

139. The most relevant and striking difference appears under the heading "THE LABEL". In the Applicant's version of the document the following appears:

> "*Ownership of Quin and Donnelly label. As we said above, this must remain with Q&D in Ireland because they alone have created and developed the label here and they alone will be responsible for generating new business here*".
>
> Whereas in the Opponent's version the corresponding paragraph states:
>
> "*Ownership of Quin and Donnelly label. As we said above, this must remain with Q&D in Ireland because they alone have created and developed the label here and they alone will be responsible for generating new business here.* BUT WE BELIEVE THAT IT SHOULD BE POSSIBLE TO NEGOTIATE A WAY IN WHICH NM CAN HAVE SECURITY IN THE LABEL." (The last line appearing in the document as depicted here.)

140. In my opinion, this shows that from the commencement of negotiations to establish a business relationship between the parties in mid-2001 the Applicant was prepared to negotiate on the QUIN AND DONNOLLY label.

141. Further documents regarding the negotiation of terms and conditions under which a business relationship between the parties would operate were also submitted in evidence. I will deal with these in chronological order. The next item is a hand-written note from Liz Quin to Paul Sharma dated 14 December, 2001. Under the heading "Label" the following is written:

> *"We propose immediate 50/50 ownership without any time limitation. In doing so we are giving you 50% of a very valuable brand name in Ireland. In the event of either partner wanting to leave, their share of the label would be sold at an agreed price to the other partner. In the event of a dispute over the price it would be assessed by independent valuation".*

142. Following that there is the document titled "HEADS OF TERMS" signed and dated 21 December, 2001. Paragraph 5 of that document relates to label ownership and is written in the following terms:

> *"It is expressly agreed that the labels of the Irish operations will be owned 50% by Nena Models (Holdings) Ltd and 50% by Messrs. Quinn and Donnelly. If either party wish to dispose of the label it will be offered to the other party following an independent assessment of its open market value. Similar arrangements will apply to the UK label. It should be noted that there will be no time limit placed on the period that the label will be held for. However, it is agreed that neither party will instigate a sale of their share of the label within the first 6-year period as it is recognised that a considerable amount of investment will be required for these businesses."*

143. The closing paragraphs of the HEADS OF TERMS document makes it clear that what appears supra is not intended to create binding legal obligations between the parties. However, it goes on to say:

> *"The parties agree that they will use all reasonable endeavours immediately following 1st January 2002 to finalise the arrangements between them and enter into binding legal commitments".*

144. The next piece of evidence submitted that goes to the issue of an agreement between the parties is exhibit "PS3", which is a draft agreement between the parties, faxed on 21 January, 2002 from James Carr & Associates to Paul Sharma. Sections 2.01 deals with ownership of the label and is written in the following terms:

> *"All of the parties hereto acknowledge that unless otherwise agreed in writing, all labels and/or brands used by the Company ("the Brands") will be owned as to 50% thereof by Nena and 50% by QD".*

145. Thereafter followed a letter dated 22 August, 2002 from Cormac Gordon of Ivor Fitzpatrick & Co. Solicitors (the Applicant's legal advisors), to James Carr (financial advisor to Paul Sharma). Mr. Gordon states that, regarding the insertion of termination provisions in the proposed Agreement and having had an opportunity to take his client's instructions, he would like to suggest the following:

> *"(i) either party will be entitled to serve notice terminating the agreement within the first five years thereof if the venture is trading at a loss for, say, two consecutive accounting periods. In this event and given that one party will have decided that the venture is inherently unprofitable, ownership of the brands will pass to the other party at no cost;*
>
> *(ii) after the initial five year period, either party can terminate at any time without cause. In the event of such termination the brands will be valued by an independent valuer and offered to the non-terminating party at that value. In the event that such party declines to acquire the brands, they will be offered to the terminating party at*

the same value and if this party declines to buy the brands they will be sold on the open market for the best available price; …"

146. This is followed by a hand-written letter dated 13 November, 2002 from Carolyn Donnelly to Ivor Fitzpatrick & Co. wherein she writes: *"Actual commencement date of contract is 1st January, 2012"* and under the heading "Brands" she writes the following:

> *"Can we insure that our share of the brands cannot be bought out against our will – that we cannot be forced into a breach of contract situation that would enable the other side to legitimately buy the brand from us?*
>
> *If they want to buy our 50% of the brands and we refuse….what can we do? If we feel at that point that the brand is much more valuable – can we be forced to sell for the agreed figure?"*

147. There the paper trail ends. However, it is clear from the forgoing that, for 18 months, both parties were actively pursuing an agreement, with ownership of the brand a key element, and with the understanding that whatever was agreed would be back-dated to have an effective date of 1 January, 2002.

148. The parties gave conflicting versions regarding what happened the negotiations in late 2002. Paul Sharma claims that on foot of an approach by Liz Quin, in or around November 2002 that, because putting the legal documentation in place was proving expensive and time consuming, and as the parties had agreed on the key points, they should continue with the business as they had been doing, without further input from advisers or lawyers. The evidence shows that the relationship was in full swing at that time. The Opponent had leased premises for the Designers in Dublin, was financing all activity in relation to the business and was manufacturing and distributing clothing bearing the QUIN AND DONNELLY brand. He was paying the Designers design fees in line with those contained in the draft agreement (according to figures provided by the Applicant these totalled €138,860.88 for the first year 2002). Furthermore, in August 2002, the Opponents paid the Designers €32,251.41 to defray expenses relating to the period September 2001 to January 2002 (the period before the contract officially commenced on 1 January, 2002).

149. The Applicant maintains that the negotiations ran into the sand with nothing being agreed, and that the parties continued with their business arrangement on the same terms and conditions on which the Applicant had done business with its previous manufacturers. That proposition is not credible and I reject it completely.

150. The Applicant also says that by the end of 2003 Nena/Sonole was unable to live up to its promise and was not investing enough in the brand, and that, for these and other reasons the Designers did not sign an agreement. If that was the case, then in late 2002, the parties would have agreed to put the negotiations on hold, with a view to reviewing performance at the end of 2003. There is no evidence to suggest that such a suspension was proposed or agreed. The only reason advanced for the cessation of negotiations was that, on foot of a conversation between Paul Sharma and Liz Quin, in or around November 2002, it was accepted that most of the key issues had already been decided and that the parties would continue with the relationship on the basis of what was already agreed.

151. Having negotiated for 18 months and having clearly reached agreement on fundamental aspects of a deal, and with the business relationship operating for nearly a year (presumably on the basis of some mutually agreed terms), I find the claim that the parties would abandon such negotiations in their entirety and agree, from that point, to continue the business relationship on the basis of terms and conditions that were never seen by one party or ever put on the table, fanciful to say the least. There is no evidence to suggest, at any stage following Liz Quin's note in December 2001 proposing *"immediate 50/50 ownership without any time limitation"*, that ownership of the brand was withdrawn, reconsidered, renegotiated, or even raised as a possible blocking issue. Issues around ownership of the brand in the event of termination of the agreement by one or both parties, or buy-out by one side, were still under negotiation, but not the fundamental decision to share the brand. I am satisfied that ownership of the brand, on an equal-share basis, was agreed.

152. While the Applicant maintains that no "legally binding" contract was entered into, it claims if there was an agreement the share of the brand on a 50-50 basis was conditional on the Opponent gaining a stronghold in the UK market, particularly with multiples, on generating significant sales for the brand and on the Applicant being granted full access to the financial accounts of Sonole.

153. However, that proposition is not supported by any of the evidence placed before me. There is no mention of any conditions in any of the documents linking ownership of the brand to future performance or access to accounts. In my opinion, both parties agreed that the Opponent would wholly finance the development of the brand in the UK and that, should profit flow from such enterprise, they would be shared on a specified basis. This was a term agreed in isolation to, and independent of, their agreement to share the brand.

154. The Applicant understood that any attempt to launch the brand in the UK would require significant investment and the proposed profit-share was structured to reflect this. In my opinion, it is not plausible the Opponent would agree to finance on its own, attempts to launch and grow the QUIN AND DONNELLY brand in the UK, without some kind of security or fall-back. The successful outcome of such an initiative would be highly dependent upon the Applicant designing goods that would be saleable in that market. So, despite the Opponent's best endeavours, such attempts may not reap the benefits anticipated and could end in failure; leaving the Opponent alone to suffer all loses and liabilities from the venture.

155. Repeatedly both parties have accused the other of underperformance. The Applicant has claimed that the Opponent "failed to grow the Brown Thomas business" and "failed to arrange any new outlets for QUIN AND DONNELLY and closed outlets in the UK". However, the evidence shows the Opponent was responsible for the concession business in Brown Thomas and House of Fraser and developed new outlets in Ireland and the UK. The move to a concession agreement was what ensured the future of the brand in Brown Thomas and it was the Opponent who took on full responsibility for that concession business. There were no outlets in the UK when the parties joined forces and it was primarily the Opponent who secured UK custom.

156. The Applicant makes numerous allegations about the Opponent's deficiencies and lack of experience in the retail area, but at the time the parties entered into a business relationship, there was no QUIN AND DONNELLY retail business, nor was any envisaged. It was the Opponent alone who stepped up to the mark and took on full responsibility for retailing when the need arose. The evidence shows that the Opponents entry into the retail sphere was successful with the concession business in Brown Thomas alone generating sales of more than €2 million every year from 2004 to 2009.

157. The evidence shows the application was filed during a very successful period for the parties with the years 2006 to 2009 being the best four years for the QUIN AND DONNELLY brand since the business relationship began in 2002.

158. In my opinion, the Applicant is attempting in its evidence to retrospectively justify its contention that it did not enter into a brand sharing arrangement with the Opponents in 2002 because of underperformance by the Opponents in the years following 2002. However, the

evidence shows that, at times, there were difficulties with scheduling and deliveries in respect of both parties and that some of the Designers' collections were not well received in the UK. Also, the Designers were, for some time, having difficulties with one another, as an e-mail from one of them to Paul Sharma, in November 2008, clearly shows. It would not be appropriate to identify the sender or to quote extracts from the e-mail, but it points to, what I would describe as, "artistic differences" between the Designers that were seriously affecting their collections.

159. In my opinion, it would be extraordinary if every delivery schedule was met, or if every collection designed by the Designers was received with critical acclaim and delivered commercial success, or if design partners always saw eye-to-eye on all aspects of their collections. I am sure that there is nothing unusual about these things and it does not mean the Opponents or the Designers were underperforming; it is simply the reality of the sector in which the parties operate. In that regard I am satisfied that any loss of business in the UK resulted from a combination of many factors for which neither of the parties can be held solely responsible.

160. Access to Sonole's accounts was important for the Applicant as its bonuses were based on a percentage of the profits of that company and provision was made in the documents submitted to allow such access. While the Applicant claims that it was never granted full access to the accounts the evidence indicates that it frequently received financial information, particularly regarding sales and revenue. The Applicant appears to have been satisfied with whatever financial information it was receiving prior to the date of application. The only evidence submitted by the Applicant indicating its dissatisfaction about financial information relates to an exchange of notes by the parties in respect of specific account figures sent on 3 June, 2010. This is after the date of application for registration of the mark and is irrelevant.

161. It appears the practice regarding payment of fees was that the Designers would furnish invoices for payment to the Opponent. The evidence points to all these invoices being paid by the Opponent as a matter of routine. So, there was never any question of the Applicant being under-rewarded or disputing the amounts due, or having any quibble about the basis on which the amounts were calculated. The issuing of invoices to the Opponent by the Applicant does suggest that the Designers fees were being paid on a set-amount basis and were not linked to profit-sharing. Though it is not clear why two invoices per month were raised if the fees agreed were for a specific monthly amount.

162. Paul Sharma claims one of the two monthly invoices he paid was for basic fees and the other for bonus/profit sharing. Having checked the amounts paid to the Applicant by way of bonuses over the years, he claims he overpaid the Applicant a significant amount as the bonuses invoiced by the Applicant and paid by the Opponent far exceeded the amounts due to the Applicant under the proposed profit-sharing arrangements.

163. Some agreement existed between the Applicant and Opponent, to enable them to sustain a business relationship for over 8 years. I find the Applicant's contention that the agreement was based on the same terms and conditions as those under which it engaged with its previous manufacturers is not supported by the evidence. In my opinion, the Opponent's version, of the negotiations and the resulting verbal agreement, to be far more credible. I am satisfied that the parties freely entered into an agreement to share ownership of the QUIN AND DONNELLY brand on a 50-50 basis and that ownership rights accrued to the Opponent on that basis.

164. There is no legal definition of *"bad faith",* but it is accepted that it constitutes dishonesty, including dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined. The fact that the Applicant had used the mark for 22 years prior to its business relationship with the Opponent is irrelevant. In order to determine whether there was bad faith I must consider the Applicant's rights and intentions at the time it filed the application for registration. In my opinion, the Applicant filed the application in 2009, in the full knowledge that it had entered into a brand sharing agreement with the Opponent years earlier. At the time of filing, the Applicant was not the sole proprietor of the mark and had no right to apply for registration in its name alone. In seeking to register it in its name alone the Applicant intended to deprive the Opponent of its stake in the mark. Therefore, I must reach the conclusion that the Applicant acted in bad faith. Accordingly, the application offends against Section 8(4)(b) of the Act and must be refused.

Passing Off

165. Having refused the application on the grounds of bad faith I need not consider the issue of passing off. However, in case on appeal the Court finds I have erred and for the sake of completeness, I will consider the opposition with respect to passing off.

166. Section 10(4)(a) of the Act deals with passing off and is written in the following terms:

"A trade mark shall not be registered if, or to the extent that, its use in the State 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."

167. The section is not concerned with whether passing off has actually taken place, but is directed towards the question as to whether registration should be permitted and so it is concerned with what would be the situation if the mark applied for was used. In *Miss World*[1] Laffoy J quoted from and applied the three part test formulated by Lord Oliver in *Reckitt & Colman Products Limited v. Borden Inc. & Others*[2] (the so-called *"Jif Lemon"* case). In his speech (at p. 880) Lord Oliver said:

"The law of passing off can be summarised in one short proposition, no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying "get-up" (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Second, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Whether the public is aware of the plaintiff's identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff. For example, if the public is accustomed to rely on a particular brand name in purchasing goods of a particular description, it matters not at all that there is little or no public awareness of the identity of the proprietor of the brand name. Third, he must demonstrate that he suffers or, in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered

[1] Miss World Ltd. v. Miss Ireland Beauty Pageant Ltd [2004] 2 IR 394

[2] [1990] 1 All ER 873

by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff."

168. Section 10(4)(a) prohibits the registration of marks the use of which is liable to be prevented under the law of passing off; whether use of a mark should actually be prevented under that law is a matter for the Court to decide in a given case and, in so deciding, the Court is performing a different function to that performed by the Controller when considering an application for registration. In my opinion, the proper application of Section 10(4)(a) insofar as the question of passing off is concerned requires a determination by the Controller as to whether the fundamental ingredients of an action for passing off would be present if the mark for which registration is requested were used in the State by the Applicant.

169. The courts have identified three key elements to be considered in passing off - reputation, misrepresentation and damage. Looking firstly at reputation, the Opponent claims that it expanded the business in Ireland, developed a market in the UK and built up sufficient goodwill in the brand to sustain a claim to some degree of proprietorship in respect of unregistered rights (reputation and goodwill) in the QUIN AND DONNELLY mark. That claim is based on the Opponents significant investment in building up and promoting the brand. The Opponents claim that, in return for a 50% share of the rights in the mark, they agreed to fund the business to include paying the Designers their fees for their work on creating the designs, and fully financing all activities associated with the commercialisation of the designs, including manufacturing, distribution, wholesaling, marketing and promotion costs. There is no evidence to suggest the Opponents did not fully fund all activities regarding the commercialisation of the brand. Also, contrary to the Applicant’s claim in its Rule 21 evidence, the evidence shows the Opponent paid for the design of the quinanddonnelly.ie website, not the Applicant.

170. For its part, the Applicant claims the Opponents did not create any goodwill for the brand and the opposite was the case, in that the Opponent actually caused damage to the reputation of the brand.

171. When the parties commenced their business relationship the Designers were designing goods under the QUIN AND DONNELLY brand exclusively for the Brown Thomas Group in Ireland. While negotiations were being conducted in 2002 it became apparent that all was not well with the A-Wear business. Each side blames the other, but the evidence shows A-Wear had issues with the Designers prior to the Opponent’s involvement (for example 35% of QUIN AND

DONNELLY stock was marked down in 1999 and 26% in 2000, when the target was 17%). The evidence points to A-Wear clientele being younger to that of Brown Thomas and it was proving difficult for the Designers to produce a single collection that was attractive to both sets of customers. Attempts were made to design a specific collecting for A-Wear under a new Q&D brand that would be more suited and in the right price line for the typical A-Wear customer. That new "diffusion" line was launched in May 2003, with all costs associated with it being financed by the Opponents, but it was not enough to save the A-Wear business. A-Wear was seeking a change of focus and decided the QUIN AND DONNELLY brand would not be part of its long-term plans. By May 2004 A-Wear was no longer doing business with the parties.

172. All was not rosy with Brown Thomas either. The evidence shows that in April 2003 Brown Thomas was deeply concerned about the performance of the brand. It informed the parties that the shortfall in sales versus target and the enormous mark-downs (at the time Brown Thomas feared they would have nearly €1 million worth of QUIN AND DONNELLY stock to mark down) placed a question mark over the future of the brand in Brown Thomas. In June 2003 Brown Thomas made it known to Paul Sharma that if the brand was to have a future in Brown Thomas it would be as a concession, in line with the company's change of focus and movement towards concession arrangements for all of its designer labels. The evidence shows that all negotiations regarding the concession business were conducted between Brown Thomas and Paul Sharma and it was with the Opponent that the final concession agreement was reached.

173. The move to a concession-based presence in Brown Thomas in 2004 required that retail personnel would have to be recruited, trained and deployed to Brown Thomas stores. It was Sonole who took on full responsibility for funding (including all staff costs) and managing the concession business. In doing so, this further demonstrates that Sonole were not just manufacturers or financial backers for the Designers, they were now the retail face of QUIN AND DONNELLY in Brown Thomas stores in Ireland.

174. The evidence shows that despite the loss of the A-Wear business significant new customers were found. Excluding the Brown Thomas business, in the 3 years preceding the date of application, over 50 other Irish retailers had purchased QUIN AND DONNELLY branded goods from Sonole. This level of new business would have required significant marketing, sales and support activity on behalf of Sonole. This was achieved despite the Designers indicating during negotiations that they believed any expansion in Ireland would be by way of the Brown Thomas and A-Wear business. No evidence was offered to suggest the Applicant was engaged

in interaction with these new Irish retailers and credit for this level of new business and the goodwill it generated would have been vested in the Opponent.

175. The Opponent developed a presence in the UK also. While both parties claim to have secured the important House of Fraser business, the evidence does not allow me to reach a conclusion on this. The Applicant sent a letter of introduction to House of Fraser, but Mr. Sharma claims he used his long established contacts with that company to secure a deal. However, what is clear is Sonole, in particular its UK-based Sales Manager (Vincent Frayssinet), was responsible for the day-to-day management of the House of Fraser account and concession business. The Opponent was responsible for securing dozens of other retailers in the UK, including a valuable account with Fenwicks Department Store. While the Designers attended some UK trade fairs, at which presumably some new accounts were secured, they did not attend these events as Guna Designs Limited. They attended as part of the Sonole team, because it was Sonole who funded all expenditure in relation to the events, including the Designers travel and other expenses. The Designers would have engaged with prospective clients but it would have been the responsibility of Sonole's UK Sales Manager to deal with all the money (pricing, discounts, credit terms, etc.) and delivery (volumes, transport, dates, returns, etc.) issues. Figures submitted by the Opponent show that UK sales peaked at €1,025,818 in 2006. This is not an insignificant amount bearing in mind that there was zero sales in the UK before the parties entered into a business relationship.

176. Part of the evidence submitted by the Applicant was an article from the Irish Independent dated August 2007, wherein the writer states that *"They* [Quin and Donnelly] *are a big hit abroad and have been the biggest selling Irish label in the UK in recent years",* confirming the development of the brand in the UK during the period in which the Opponent was promoting the brand in that market. This article is not consistent with the Applicants claims that the Opponent was damaging the label in the UK.

177. Goodwill can be divided between parties and may be attached to specific activities in relation to a brand. In the instant case the Applicant claims that all reputation and goodwill in the QUIN AND DONNELLY mark is vested in it, by virtue of its long and extensive use of the mark. However, it appears to me the Applicant is merely a design company and has total responsibility for, and control of, designing the goods on which the mark will be placed, and no more. By virtue of their standing as leading fashion designers the Applicant creates a power of attraction for goods designed by it, but the Applicant does not trade in goods per se. It trades on its design

skills and creative abilities. Its business is the provision of fashion design services for a fee and commission based on sales.

178. The Applicant is not seeking to register the QUIN AND DONNELLY trade mark in respect of fashion design services, for which it alone has earned significant goodwill and reputation, but for goods bearing that mark. The Applicant, since its incorporation, has not manufactured or sold any goods. Not one invoice for a single sale of goods bearing the QUIN AND DONNELLY mark was submitted into evidence by the Applicant. Nor is the Applicant responsible for the manufacture, marketing, promotion, wholesaling, retailing, quality assurance or customer service activities in respect of the goods. All such activities, from 2002 to the date of application for registration were the responsibility of, and funded by, Sonole. While the Applicant did carry out some promotion work and appeared at fashion and trade shows, the costs associated with its attendance at those events was paid for by Sonole. In fact the Applicant made it clear in its evidence that the reason why the Designers did not participate in promotional activities in Brown Thomas (which Brown Thomas has complained about) was because the Opponent would not pick up the tab for such events. Furthermore, the Applicant did not appear to employ a single person in respect of any activities centred on the commercialisation of goods bearing the mark.

179. I accept that many end-users of goods bearing the QUIN AND DONNELLY trade mark may never have heard of Sonole and may associate such goods exclusively with the Applicant. However, there is another stream of consumers of these goods, that being the retailers that stock the brand. Those customers not only know of Sonole, but deal exclusively with the Opponent in respect of ordering, price negotiation, discounts, quality, delivery schedules and any other activity in a typical supplier / customer relationship. Furthermore, the Opponents also earned goodwill and reputation as retailers of goods bearing the trade mark and the concession agreements entered into by both Brown Thomas and House of Fraser were with the Opponents, not the Applicant. Therefore, I cannot conclude the Applicant owns all the reputation and goodwill associated with goods bearing the QUIN AND DONNELLY mark. I am satisfied that the Opponents earned and maintained over a number of years the necessary reputation and goodwill that the law of passing off seeks to protect.

180. I am satisfied that damage would be done to the Opponents business if the Applicant was allowed to register the mark in its name alone, thereby creating a monopoly right to the mark. Such a monopoly would damage the Opponents reputation and the goodwill the Opponent has

earned over a number of years. However, this is a case of shared goodwill and reputation that is further complicated by the fact the two parties, having worked successfully together for a number of years, have become estranged. In such circumstances exclusive use of the mark by either party would damage the other. However, in my opinion, the law is clear and in order for there to be passing off, any damage to reputation or goodwill must be caused by misrepresentation. What is required is a misrepresentation which has deceived or is likely to deceive; mere confusion is not sufficient.

181. In *Reckitt and Colman v Borden*[3], Lord Jauncey stated "*However it is not essential to the success of a passing off action that the defendant should misrepresent his goods as those of the plaintiff. It is sufficient that he misrepresents his goods in such a way that it is a reasonably foreseeable consequence of the misrepresentation that the plaintiff's business or goodwill will be damaged"*. So, in order for there to be passing off, the Applicant need not misrepresent its goods as those of the Opponent; but the Applicant must engage in some form of intentional misrepresentation or its actions must result in unintentional misrepresentation.

182. At the Hearing Mr. Gibbons argued that if the mark was used independently by the Applicant and/or the Designers it would cause a likelihood of deception in the marketplace especially if the relevant consumer is deemed to be wholesale customers who associate the QUIN AND DONNELLY mark primarily with Sonole. On the one hand, many members of the purchasing public may never have heard of Sonole and associate the mark exclusively with the Applicant. On the other, wholesale customers of Sonole may never have dealt with the Applicant or may believe the Designers work for Sonole. I am satisfied that relevant consumers, both retailers and the general public, are aware that goods bearing the QUIN AND DONNELLY brand are designed by the Designers, but few, if any, have ever heard of the Applicant – Guna Designs Limited. No evidence (press coverage, website presence, advertising, etc.), other than correspondence between the parties themselves, contains any mention of Guna Designs Limited.

183. At the date of application, and for the previous 7 years, the QUIN AND DONNELLY brand denoted goods designed by the Designers and goods manufactured, wholesaled and, in certain stores, retailed by the Opponents. The QUIN AND DONNELLY mark conveys the message that goods bearing the name have been designed by the Designers. As such, for as long as the Designers continue to produce fashion designs, using the mark on goods not designed by the

[3] [1990] 1 WLR 491 Paragraph 510

Designers could constitute a misrepresentation. But the question at issue here is if the trade mark was monopolised by the Applicant and used on goods designed by it, but not manufactured, distributed or retailed by the Opponents, would that result in a misrepresentation. The fact of shared goodwill makes this a difficult question to answer, but it is made all the more difficult by the fact that the two owners of the Applicant company are seeking to register a trade mark that consists of their individual surnames.

184. While it was never canvassed by the Applicant, I have considered whether one is entitled to rely on the defence of "own name use" in passing off proceedings, such defence being available in trade mark infringement actions. While the Applicant is Guna Designs Limited, there can be no doubt that the two sole owners of the applicant company have traded for many years and have built up a reputation and goodwill in fashion design under the QUIN AND DONNELLY brand. Mr. Gibbons argued that there is no evidence the property rights in the QUIN AND DONNELLY mark were transferred from the Designers to the Applicant. That is correct. However, the Designers had not registered their trade mark and may have assumed that their unregistered rights would automatically move with them to their new company, without the need for a formal assignment. That is not an unreasonable proposition and the absence of a formal assignment cannot, in my opinion, dilute or invalidate the goodwill, reputation or proprietorship rights the Applicant/Designers held in the mark for fashion design.

185. There is limited case law on the issue of one party succeeding against another in cases where the parties involved share reputation and goodwill in a brand that consists of the name of the party against whom the claim of passing off is directed. But what case law there is suggests that an "own name use" defence is not sufficient to overcome such a claim. In *Sir Robert McAlpine Ltd v Alfred McAlpine Plc*[4], which concerned use of an "own name" (McAlpine) that was common to both parties, Mann J stated: "*There is apparently no reported case of a successful action by one joint owner of goodwill against the other, but it was not suggested that in appropriate circumstances such an action could not succeed*". The outcome of that case resulted in a successful action for passing off.

186. I agree that the scenario suggested by Mr. Gibbons would cause a misrepresentation, for the following reasons:

[4] [2004] EWHC 630 (Ch)

(i) The Applicant does not trade in goods. Its business is purely fashion design. If it were granted a monopoly right to the mark at issue, in respect of the goods for which the application was made, it would debar the Opponents from using the mark on goods the Opponent has been manufacturing and selling, at wholesale and retail level, since 2002.

(ii) All goods sold under the QUIN AND DONNELLY brand, from 2002 to the date of application for registration, were produced exclusively by the Opponent and all stockists of such goods dealt with the Opponent. The Opponent invested significant funds to expand the business and generated new custom by doing so. It has earned rights in the unregistered mark. Should the Applicant begin to produce and offer goods under the mark, to the exclusion of the Opponent, it would be misrepresenting the Opponent's involvement in, and the value it added to, the brand.

(iii) Should goods offered by the Applicant be of a different quality, whether inferior or superior to those put on the market by the Opponent, the Applicant would be misrepresenting the goods of the Opponent.

(iv) Many consumers of goods bearing the QUIN AND DONNELLY trade mark are aware of the relationship that exists between, and the distinct roles played by, the parties. Use of the mark by the Applicant alone is likely to result in a misrepresentation regarding those roles.

(v) Should the Applicant attempt to trade with customers, secured and serviced by the Opponent, it would be misrepresenting itself as the supplier of such goods when, at the date of application, that function was performed exclusively by the Opponent.

187. I find the three ingredients necessary to ground an action for passing off – reputation, misrepresentation and damage are present and, therefore, the application offends against Section 10(4)(a) of the Act. Accordingly the application is refused.

Dermot Doyle
Acting for the Controller
10 April, 2014