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TRADE MARKS PATENTS & DESIGNS FEDERATION (TMPDF)

Company Law Reform Bill (HL) - TMPDF comments

The particular interest of this Federation in the bill relates to Part 5 (A company's name) Chapter 3 (Similarity to other names).

Objection to company's registered name - section 70

We are pleased that provisions have been included in the bill, in subsection 70(1), for a person ("the applicant") to object to a company's registered name on the ground that it is the same as a name associated with the applicant in which he has goodwill, or that it is sufficiently similar to such a name that its use in Great Britain would be likely to mislead by suggesting a connection between the company and the applicant. We also support the procedure for making such an objection, i.e., that the application must be made to a company names adjudicator (subsection 70(2) and section 71).

These provisions appear to be aimed at implementing a promise in the White Paper on Company Law Reform, chapter 5.2, where it says that it will be possible to require a company to change its registered name if it was chosen to exploit another's reputation or goodwill. Subject to the resolution of problems explained below concerning the defences allowed by subsection 70(4), which currently render the provisions almost valueless, there could be a substantial improvement over the current registration arrangements. The current arrangements are defective because they do not allow an owner of an existing company name or trade mark to object to a new registration that takes advantage of the goodwill in the existing name. The ability to object to the registration of names that take unauthorised advantage of the goodwill of others will be welcomed by the companies represented by the Federation and by all other honest traders.

Subsections 70(4) and 70(5)

However, we are concerned about the extremely broad scope of the grounds provided in subsection 70(4), under which the respondent can defeat an objection. As currently formulated, these grounds render the right to object under subsection 70(1) almost valueless

- The ground under paragraph (a), under which the objection fails if the name objected to was registered before the commencement of activities relied on to show goodwill is reasonable only if the company using the name whose registration is objected to operated under the name before the goodwill was established, and continues to so operate. It is not acceptable that a "dormant" name might be brought into use, such as to create a misleading situation, after the establishment of the goodwill in the objector's name.
- There is no justification for the grounds provided in paragraphs (b) (i)-(ii). Under these grounds, it would be possible to take advantage of the goodwill in another (already existing) name, without redress, by registering a new company under the same or a similar misleading name, and then trading or merely preparing to trade under that name. These actions would defeat the object of section 70 as a whole and should not be permitted where the owner of the name in which the goodwill exists objects.
- There is no justification for the ground in paragraph (b) (iii). A dormant name should not be revivable so as to create a misleading situation.

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- The ground in paragraph (c), that the name was registered in the course of a company formation business and is available for purchase is quite outrageous. Such a ground will actively encourage the setting up of companies with similar names to those of well known companies or their trade marks merely for sale - in the expectation that they will be have to be purchased by the companies affected in order to avoid them going to others. Again, this is a provision that will defeat the object of section 70 as a whole.
- The ground in paragraph (d) that the name was adopted "in good faith" should not be acceptable, whatever "good faith" might mean in the context (e.g., does it mean in ignorance of the applicant's name or in the belief that there is no goodwill in it?). The good faith or otherwise of the respondent is irrelevant to the question of whether or not the name is likely to mislead and to take advantage of the goodwill in the applicant's name.
- The ground in paragraph (e), that the interests of the applicant are not adversely affected to any significant extent, is unclear. At the time of objection, perhaps not long after registration, there may be little evidence of significant adverse effect. But if the grounds for objection in subsection 70(1) are established, then the interests of the applicant will inevitably be adversely affected, perhaps not immediately, but certainly in the longer term.. Any advantage taken, or prepared to be taken, of the goodwill in the applicant's name will affect the reputation and commercial value of the name

The counter-arguments to the grounds in subsection 70(4) provided in subsection 70(5) are seriously inadequate. The purpose of the provisions, as indicated in subsection 70(1), is to prevent a name being registered when it exploits the goodwill in the name of the applicant or is likely to mislead by suggesting a connection with the applicant's name. This involves much more than obtaining money from the applicant or preventing the registration of his name (both of which situations might be relatively infrequent). Trading under a name that takes advantage of the goodwill of another misleads customers, which is much against the public interest, and damages the reputation of the name in which the goodwill subsists. These issues should be admitted, as the White Paper indicated they would.

To resolve these issues, we consider that the following changes should be made:

Subsection 70(5) should be deleted and the particular abuses mentioned in it should be referred to in an additional paragraph in subsection 70(1), e.g.,

[after 70(1) (b)]

or (c) that the main purpose of the respondents (or any of them) in registering it was to obtain money (or other consideration) from the applicant or prevent him from registering the name.

Paragraphs (b) to (e) of subsection 70(4) should be deleted, for the reasons set out above. Paragraph (a) should be amended to require the respondents to show that they operated under the name before the commencement of the activities relied on by the objector to show goodwill and that the operation is ongoing, i.e., the name objected to has not become dormant. A new paragraph (b) should be added to ensure that the ground in subsection 70(1)(c) overcomes all defences. Subsection 70(4) might be revised to read:

(a) If the ground specified in subsection (1)(a) or (b) is established, the objection shall be upheld unless the respondent shows that the name was registered before the commencement of the activities on which the applicant relies to show goodwill and the company concerned operated under that name before that commencement and continues to operate under the name.

(b) If the ground specified in subsection 1(c) is established, the objection shall be upheld.

Subsection 73 - Order requiring name to be changed

We consider that the form of order that the adjudicator can make under subsection 73(1) is seriously inadequate. In the cases of many company names and trade marks, the goodwill attached to them will apply in only certain fields of activity. Except where a name is especially famous (Coca-Cola ®, Kodak ®, Rolls Royce ® might be examples) uses outside the expected field may be unlikely to mislead. It would be unjust for example for a brick manufacturer called Oxford Brick Company (the example is intended to be hypothetical) to be prevented from registering the name "OBC plc" merely because a medical appliance manufacturer has goodwill in the medical field in the letters OBC. The brick company might reasonably be allowed the registration provided that it undertook not to enter the medical appliance field under the name OBC.

We therefore consider that it should be open to the adjudicator, in appropriate cases, to order that the respondent company may retain the disputed name, provided that it gives an undertaking not to operate in those fields of activity where the applicant's name has goodwill. This might be achieved by an addition to subsection 73(1), such that the whole might read:

- (1) If an application under section 70 is upheld, the adjudicator shall make an order, either -*
- (a) requiring the respondent company to change its name to one that is not an offending name, and requiring all the respondents*
 - (i) to take all such steps as are within their power to make, or facilitate the making, of that change, and*
 - (ii) not to cause or permit any steps to be taken calculated to result in another company being registered with a name that is an offending name, or*
 - (b) requiring the respondent company to undertake to the applicant and to the Secretary of State not to operate under the registered name in connection with such activities as may be specified in the order.*

Other points

Under section 72, the procedural rules may make provision for time limits for anything required to be done. In many situations, it may take considerable time for the owner of a name having goodwill to find out about the registration of a new company under a similar name, or whether the company has been trading under the name before registering it. We therefore consider that no arbitrary time limit should be imposed for the making of objections under section 70.

In relation to subsection 70(7) (scope of the term "goodwill"), it would be useful to indicate, e.g., as one of the matters to be covered by a procedural rule under section 72, what evidence of reputation will be required by an adjudicator. An example might be that there is evidence that the name in which the reputation is claimed is a registered trade mark in current use.

As regards section 74 (appeal from adjudicator's decision), there should not be an automatic suspension of the adjudicator's order on appeal (i.e., subsection 74(3) should be deleted). This is an encouragement to appeal and to continue trading under an offending name, damaging the applicant's goodwill even further. It should, rather, be open to the respondent to seek a court order suspending the order, as it should be open to an applicant to seek an order preventing the respondent company from trading under the name until the questions concerning the abuse by the respondent have been settled.

January 2006

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The published views/opinions/submissions of the Federation are normally approved by consensus. In cases where there is a substantial majority view falling short of consensus, any significant disagreement will be indicated.

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