

O-079-16

Companies Act 2006

In the matter of application No 682 by Clark Electronics Ltd for a change to the company name of Clark Electronic Consultants Limited, registered in Scotland under No. SC465255.

1. Clark Electronic Consultants Limited (“the primary respondent”) was incorporated in Scotland under that name on 5 December 2013.

2. On 11 December 2013, Clark Electronics Ltd (“the applicant”) applied for an Order under section 69 of the Companies Act 2006 (“the Act”) for the company name of Clark Electronic Consultants Limited to be changed.

3. Section 69 of the Act states:

“(1) A person (“the applicant”) may object to a company’s registered name on the ground—

(a) that it is the same as a name associated with the applicant in which he has goodwill, or

(b) that it is sufficiently similar to such a name that its use in the United Kingdom would be likely to mislead by suggesting a connection between the company and the applicant.

(2) The objection must be made by application to a company names adjudicator (see section 70).

(3) The company concerned shall be the primary respondent to the application.

Any of its members or directors may be joined as respondents.

(4) If the ground specified in subsection (1)(a) or (b) is established, it is for the respondents to show—

(a) that the name was registered before the commencement of the activities on which the applicant relies to show goodwill; or

(b) that the company—

(i) is operating under the name, or

(ii) is proposing to do so and has incurred substantial start-up costs in preparation, or

(iii) was formerly operating under the name and is now dormant;
or

(c) that the name was registered in the ordinary course of a company formation business and the company is available for sale to the applicant on the standard terms of that business; or

(d) that the name was adopted in good faith; or

(e) that the interests of the applicant are not adversely affected to any significant extent.

If none of these is shown, the objection shall be upheld.

(5) If the facts mentioned in subsection 4(a), (b) or (c) are established, the objection shall nevertheless be upheld if the applicant shows that the main purpose of the respondents (or any of them) in registering the name was to obtain money (or other consideration) from the applicant or prevent him from registering the name.

(6) If the objection is not upheld under subsection (4) or (5), it shall be dismissed.

(7) In this section “goodwill” includes reputation of any description.”

4. The application form was filled in by Mr Iain Nimmo. The applicant claims that the name associated with it is Clark Electronics Ltd and that it has a reputation and goodwill in this name for electronic design and repair services, and electrical fault finding and automation services. The applicant claims that:

“[The name] has been registered as a similar name to confuse the customers of Clark Electronics Ltd and gain financially from the goodwill built on the name “Clark Electronics”, against section 69(1a&b) of the Companies Act. It has been registered by James McIntosh, Director of MCI Electronics which is in direct competition to Clark Electronics carrying out the same service.”

The applicant requested that Mr James McIntosh, Director of the company, be joined to the proceedings as a co-respondent.

5. The primary respondent filed a defence and counterstatement, which was written by James McIntosh. It is stated that the new company was registered on the day the old company (which had the same name) was dissolved. Mr McIntosh states that he was a founding member of the old company and it was always his intention to register the name when it became available. He states that Mr Nimmo was aware of this fact as Mr McIntosh had previously traded under the name. It is denied that the primary respondent trades in electronic design and repair and electrical fault finding. It is denied that it is the primary respondent’s intention to mislead any of the applicant’s customers. Mr McIntosh states that if his intention was financial, as alleged, his other company (MCI Electronics) would have pursued the applicant’s client base.

6. Mr McIntosh also requests proof from the applicant ‘beyond reasonable doubt’ that the primary respondent has contacted and traded with any of the applicant’s

current clientele. 'Beyond reasonable doubt' is the criminal standard of proof. The civil standard of proof, which applies to these proceedings, is 'on the balance of probabilities'.

7. In terms of the specific defences set out under section 69(4) of the Act, it is stated:

"The old company name was previously registered in October 1998 by Mr McIntosh and Mr Nimmo. It was dissolved in Dec 2013 and was re-registered the same day by Mr McIntosh to preserve the continuity of the name and Mr McIntosh's involvement with Clark Electronic Consultants Ltd. Mr McIntosh previously took out an action to stop Mr Nimmo trading as Clark Electronics Ltd whilst Clark Electronic Consultants Ltd was still in existence, unfortunately it was found that there was no connection between these names.

Due to this action Mr McIntosh has had to put the company business plan on hold until this is resolved, which has cost the company substantial start up costs in the preparation of trading. This has affected future goodwill as the company has not been able to approach potential new clients.

Mr McIntosh offered to buy Mr Nimmo's shares in the old company which Mr Nimmo refused, leaving the only option to dissolve the old company. It was always Mr McIntosh's intention to register the company when it became available which Mr Nimmo was aware of.

Mr Nimmo registered his new company whilst the old company was still in existence, thus trading on the goodwill of the old company name."

8. Mr McIntosh was joined to the proceedings as a co-respondent on 27 March 2014, having first been given an opportunity to comment upon the request that he be joined. A direction was made by the Tribunal that he be jointly and severally liable for costs, in the event that a cost award is made against the primary respondent.

9. Neither party is professionally represented. Both filed evidence. The parties were asked if they wished for a decision to be made following a hearing or from the papers. Neither chose to be heard and neither filed written submissions in lieu of a hearing. We make this decision after having carefully read all the papers filed by both parties.

Evidence

10. The applicant's evidence in chief is given by Iain Nimmo, in an affidavit dated 8 May 2014. Mr Nimmo states that the 'old company', referred to in the counterstatement, stopped trading in August 2011 when the two directors started up their own companies. The old company was registered in Scotland under number SC190658. Mr Nimmo states that:

- Mr McIntosh registered MCI Electronics on 3 August 2011, taking the only 'growth' customer (Progress Rail) from the old company with him, and also

taking other customers amounting to more than 50% of the old company's turnover.

- Part of the agreed split was that everything to do with the name Clark Electronics was to be transferred to Mr Nimmo for use with Mr Nimmo's new company, Clark Electronics Ltd (registered on 4 August 2011). In return for Mr Nimmo's use of the name, Mr McIntosh received agreed extra money over and above the 50% split.
- Months after making the agreement, Mr McIntosh instructed his lawyer to pursue the release of 100% of the funds from the old company, claiming that the applicant/Mr Nimmo was passing off as the old company.

11. A witness statement is provided (as Attachment 1) from Alan Smith of Direct Tax & Accountancy. Mr Smith states that he was the accountant for the old company from 2005 until 2011 and that he is aware "in general terms" of the discussions between Mr Nimmo and Mr McIntosh regarding division of the old company's assets after it stopped trading in 2011. Mr Smith confirms that it was agreed between the parties that the domain name clarkelectronics.co.uk and other assets relating to the old company's trading name would be passed to Mr Nimmo and his new company. Mr Smith states that Mr McIntosh confirmed this in an email sent by Mr McIntosh to Mr Smith on 18 September 2012. He states that there was no formal agreement recording the division of assets but both directors signed a letter to the old company's bank, Santander, on 12 November 2012 confirming the division of the funds in the old company's bank account. Mr Smith states that this was the last of the assets to be dealt with and the letter would not have been signed if there were any outstanding issues relating to the other assets. Mr Smith states that he does not have a final signed copy of the letter, but he has a copy of the file letter, which he prepared. He states that this is exhibited at Appendix AS1, but it is not; further, Mr Nimmo refers to Mr Smith's witness statement as a single page comprising his Attachment 1 – there are no other pages in Attachment 1. Mr Smith's witness statement is dated 20 December 2013 and was made for the purpose of providing evidence in a domain name dispute. It has not been made for the current proceedings. Presumably, 'Appendix AS1' was filed in the domain name case.

12. Mr Smith states that he recalls sending the signed version of the letter to the bank. Mr Smith states that Mr McIntosh never said anything to him which differed from the comment in his email of 18 September 2012 that Mr Nimmo's company was to have the domain name.

13. Mr Nimmo states that there are many emails from Mr McIntosh which prove he agreed that Mr Nimmo and his company were to use the intellectual property. He cites, as an example, an email string in Attachment 2. The first email is dated 20 September 2011 and is from someone offering to provide Mr McIntosh with some training on a purchased software package. The email was sent to jim@clarkelectronics.co.uk. A second email, dated 22 September 2011 (9.48am), was sent by Mr Nimmo to Mr McIntosh, saying that Mr Nimmo couldn't see it being feasible that they shared the software, and suggested that Mr McIntosh kept it and sent Mr Nimmo £500. The third email is dated later the

same day (5.17pm) from Mr McIntosh to Mr Nimmo, in which Mr McIntosh makes an alternative suggestion to offset the software cost. At the end of the email, Mr McIntosh says that he didn't expect that his email address (jim@clarkelectronics.co.uk) was still running, and asks Mr Nimmo to delete it, "as we agreed".

14. Mr Nimmo states:

"The Old Co was finally dissolved at Companies House in December 2013 more than two years after it stopped trading. Any goodwill which Mr McIntosh had with this Old Co was taken with him to his new Company MCI Electronics, this can be seen in the first year turnover of MCI Electronics. Any current goodwill in the name Clark Electronic has been built over the last two and a half years by me and my Company Clark Electronics Ltd, this is the goodwill Mr McIntosh is after and where he is hedging his bets on gaining a financial benefit from these actions by confusing consumers and benefitting financially from the extensive advertising and marketing I have financed over the past two and a half years."

15. Mr Nimmo states that at the time Mr McIntosh registered the primary respondent's name, in December 2013, Mr McIntosh noticed that the old company's domain name was not registered correctly with Nominet. Attachment 5 is a copy of a submission from Mr McIntosh to Nominet, dated 12 December 2013 asking for the domain name and email address to be suspended because he disputes the transfer of the domain name to the applicant. In the submission, Mr McIntosh says that Mr Nimmo has been using the website without his consent. This submission is dated about two weeks after Mr McIntosh had emailed Mr Nimmo (on 27 November 2013), at Mr Nimmo's email address iain@clarkelectronics.co.uk, saying

"Hi Iain,

Here is the software for the 2.2 saw @ Trads. Used GX Developer. Give us a shout if you need anything else.

Hows things going anyway?

Cheers

Jim"

16. Mr Nimmo requests that Mr McIntosh be required to change the name of his company (the primary respondent) to one not containing Clark. He also requests that the name Clark Electronic Consultants be made available for him to register (as a company name).

17. Mr Nimmo states that Mr McIntosh did not trade under the name of the old company. He was a 50% shareholder. Mr Nimmo states that Mr McIntosh knew that Mr Nimmo wanted to register the company name when it became available (following dissolution). On the day when the old company was finally dissolved,

Mr Nimmo tried to register it, only to find that Mr McIntosh had got there first. Mr Nimmo subsequently found out that company names are available to register two weeks prior to the actual date of dissolution.

18. In relation to the denial in the counterstatement that the primary respondent trades in electronic design and repair and electrical fault finding services, Mr Nimmo exhibits prints of the primary respondent's advertising on 192.com and for Mr McIntosh's other company, MCI Electronics which is at the same address. The advertisement for the primary respondent includes electronic and electrical fault finding services.

19. Mr Nimmo says:

“Although finally dissolved in December 2013 Old Co stopped trading in August 2011. Therefore any ‘continuity’ is in Mr McIntosh's imagination. If Mr McIntosh had been interested in any further goodwill than that he took to MCI in Aug 2011 then he would have used the Clark name in his new company at that time and not agreed for my use at that time.”

20. The counterstatement states that Mr McIntosh previously took out an action to stop Mr Nimmo trading as Clark Electronics Ltd whilst Clark Electronic Consultants Ltd was still in existence, but that it was found that there was no connection between these names. Mr Nimmo identifies this action as an application before this Tribunal, number 425, against the applicant (company number SC404786). The application was struck out, but not for the reasons claimed in the counterstatement. We give here a summary of the Adjudicator's decision in application number 425:

- Mr McIntosh made the application against the present applicant. In his application, he stated that he was a 50% shareholder in Clark Electronics Consultants Ltd (the old company) and that the directors had fallen out.
- Mr Nimmo had registered the present applicant's name, was operating from the same premises as the old company, with the same telephone number, “and is able to continue the operation of the old business without anyone being aware of the change in circumstances” (according to Mr McIntosh).
- The Tribunal asked Mr McIntosh to clarify whether he or the old company owned the goodwill in the old company name at the time the present applicant registered its company name.
- The Tribunal pointed out that even if the ownership of goodwill question was resolved in Mr McIntosh's favour, the present applicant appeared to have a defence under section 69(4)(b)(i) because it was operating under the name.
- Mr McIntosh replied that he believed he, rather than the old company, owned the goodwill in the name Clark Electronic Consultants:

“I started working for Clark Electronic Consultants in 1994 and Ian Nimmo joined the company in 1996. The owner of the company died in 1998. Ian Nimmo and I took over the business at that time while registering it as a limited company.

I had been working for Clark Electronic Consultants for 4 years and for [the old company] for 13 years therefore I have built up 13 years of goodwill...

Ian Nimmo opened the company [the present applicant] using the same logo, telephone number, website and location which is emulating that it is still the same business, confusing the customers as to my whereabouts as they are unaware of what has happened.

...

Basically he is just carrying on running the company like I have left the business and not that [the old company] is in the process of being closed down (dormant).

The name was not adopted in good faith as there was no agreement that this new name [the present applicant] could be used for his new company and was done without my knowledge...

I believe of him choosing the [present applicant's] name is to keep the flow of business (money) coming in and keeping the customers in the dark.”

- The Adjudicator issued his preliminary view (on 26 June 2012) to strike out the application under Rule 5(2) of the Company Names Adjudicator Rules 2008 as being misconceived. The basis for the preliminary view was that the applicant appeared to have the defence that it was operating and Mr McIntosh had not identified why, in spite of the defence, the provisions of section 69(5) operated in his favour. Mr McIntosh was given fourteen days to request a hearing if he disagreed. No response was received, and so the Adjudicator struck out the application in his decision (BL O/404/12) dated 17 October 2012. The question of ownership of goodwill did not form part of the preliminary view or the decision.

21. The primary respondent's evidence comes from Mr McIntosh, by way of a witness statement dated 22 December 2014. Also filed are witness statements from Claire McIntosh and John Rodger (both also dated 22 December 2014).

22. Mr McIntosh worked for a Douglas Clark, who owned Clark Electronic Consultants. Upon Mr Clark's death in 1998, Mr McIntosh and Mr Nimmo ran the company for 13 years. The business relationship then broke down; the breakdown included Mr Nimmo's dismissal of an employee called John Rodger.

23. Mr McIntosh states that he agreed verbally to a 50/50 split of all monies and assets and that it was also verbally agreed “that neither of us would use the

company name (Clark Electronic Consultants)". He states that it became clear that Mr Nimmo had no intention of changing the company name and that he had, in fact, registered the company Clark Electronics Limited on 4 August 2011, the day after Mr McIntosh had registered the company name MCI Electronics Ltd. Mr McIntosh states that Mr Nimmo, in registering the name Clark Electronics Limited, had gone back on the verbal agreement.

24. Mr McIntosh states that when the name Clark Electronic Consultants Ltd became legally available, he purchased the name and that Mr Nimmo was entitled to do the same at the time. Mr McIntosh states that it was not done for malice or other remuneration but was a business decision. He would have registered it earlier if it had been available by law. He states that his company, MCI Electronics Ltd, is now twice the size of the 'Clark Electronics' and that if he wanted to target any of Clark Electronics' customer base, he could do so through his company MCI Electronics Ltd.

25. Mr McIntosh states that owing to legal issues, he has not been able to trade under the respondent's name, but that it is his intention to run the company as an electronic consultancy company, which he says will in no way affect Mr Nimmo's current business. He considers that, as a former director and shareholder, he was well within his rights to register Clark Electronic Consultants Ltd and to take the new business venture forward.

26. Mr McIntosh ends his witness statement by stating that Mr Alan Smith is currently Mr Nimmo's accountant and is therefore not impartial. He asks Mr Nimmo to provide written evidence supporting the agreement for him to use the name Clark Electronics or the old company's IP and goodwill. Mr McIntosh also states that he has no knowledge of the advertisement referred to by Mr Nimmo and he wonders as to its origins.

27. Mr McIntosh makes several challenges to Mr Nimmo's affidavit. He says that if, as Mr Nimmo states, the old company ceased trading in August 2011, why were there still monies paid into its account up to November 2011, and purchase orders made up until November 2011. He submits that the applicant was trying to pass itself off as the old company as late as November 2011. Again, Mr McIntosh asks the applicant to provide the written agreement witnessed by Alan Smith, with both parties' signatures upon it.

28. These challenges were made outside of the witness statement, in a separate document which does not contain a statement of truth. Several other documents are attached, such as emails and correspondence with a water company. Since these documents have not been filed as evidence, because there is no statement of truth, they do not constitute evidence and so carry no evidential weight.

29. Mr McIntosh's sister, Claire McIntosh, has made a witness statement in which she recounts that Mr Nimmo used expletives at her and told her to leave when she turned up for work in August 2011.

30. John Rodger, another former employee of the old company, has made a witness statement in which he states he was sacked by Mr Nimmo in July 2011. He states

Mr Nimmo was bullying him. In a heated discussion between Mr Nimmo and Mr McIntosh, at which Mr Rodger was present, Mr Rodger states he heard it verbally agreed that both would go their separate ways and start new companies:

“It was also agreed that neither would use the name of the former owner Mr Clark as Jim felt very strongly about this as he thought of Mr Clark as a father figure.

I started with MCI Electronics on the 8th September 2011. Jim (McIntosh) chose the name MCI Electronics as he had agreed with Mr Nimmo that neither business would contain the word Clark in it.”

31. The applicant replies to the respondent’s evidence with a further affidavit from Mr Nimmo, dated 5 May 2015. He states that it took months to wind down the old company, resulting in the various purchase orders referred to by Mr McIntosh. Mr Nimmo attaches legal submissions from his advisors in the domain name dispute. This is of no assistance as the submissions consist, obviously, of partisan legal argument. Mr Nimmo states that Ms McIntosh conveniently started working for the old company three months prior to August 2011, “just enough time to learn the books and the running of the company, Mr McIntosh then registered MCI and set up with his sister and the only other employee of old co John Rodger.” Mr Nimmo states that he was left to wind down the old company by himself, with the help of Margaret Wallace, a mediator for Stirling Council. He says that a statement from Ms Wallace can be found on the previous Company Names Tribunal case file.

32. Mr Nimmo replies to Mr McIntosh’s statement that Mr Nimmo was not to use the name Clark. Mr Nimmo states that there are numerous emails from Mr McIntosh to Mr Nimmo at the latter’s ‘Clark Electronics’ address. Mr Nimmo states that Alan Smith, the accountant, was also the accountant for MCI Electronics Ltd, Mr McIntosh’s company.

Decision

33. If the respondent defends the application, as here, the applicant must establish that it has goodwill or reputation in relation to a name that is the same, or sufficiently similar, to that of the respondent’s company name suggesting a connection between the company and the applicant. Only if this burden is fulfilled is it then necessary to consider if the respondent can rely upon defences under section 69(4) of the Act. The relevant date is the date of application which, in this case, is 11 December 2013. The applicant must show that it had a goodwill or reputation at this date.

34. Section 69(7) of the Act defines goodwill as a “reputation of any description”. Consequently, in the terms of the Act it is not limited to Lord Macnaghten’s classic definition in *IRC v Muller & Co’s Margerine Ltd* [1901] AC 217:

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

35. Even if goodwill, in the traditional sense, is not established, an applicant can still succeed if it can demonstrate the requisite reputation, but it must make the case by filing evidence in the proceedings: the burden of proof is the applicant's. The applicant's evidence is confined to giving details of the split of the original company, the agreement (which has not been provided in evidence) and rebuttal of the respondent's evidence. There are no details about the applicant's business in the applicant's evidence, such as advertising, turnover figures, invoices or job estimates.

36. Although it is not vital that there should be evidence showing, for example, turnover, this presupposes that the rest of the evidence, collectively, will still paint a picture from which it is possible to establish the requisite goodwill or reputation. Such evidence is singularly lacking in these proceedings. As the burden is on the applicant, it is the applicant who must present a *prima facie* case of reputation/goodwill in its evidence. We note that, on occasion, Mr McIntosh states that it was not his intention to mislead or trade with any of the applicant's customers. These statements are not tantamount to admissions that the applicant has goodwill or a reputation (i.e. the applicant, not the previous company). They do not enable us to find that the applicant had a reputation or goodwill in the name it relies upon as of 11 December 2013; nor, moreover, in relation to what, and how much, any reputation/goodwill might extend.

Outcome

37. The applicant has failed to satisfy the burden placed upon it under section 69(1)(a) of the Act: it has not established either goodwill or a reputation in the UK. The application fails.

Expenses

38. The respondent has been successful and is entitled to a contribution towards its expenses on the basis of the scale of costs¹ which applied at the date these proceedings were commenced. The respondent has not been professionally represented and so would not have incurred the level of expense commensurate with paying professional legal advisers. The amount is, accordingly, reduced (except in relation to the official fees). Expenses are awarded to the respondent as follows:

Fee for filing notice of defence:	£150
Fee for filing evidence:	£150
Preparing a statement and considering the application:	£100
Preparing evidence and considering the applicant's evidence:	£350
Total:	£750

¹ Published in the Practice Direction.

39. Clark Electronics Ltd is ordered to pay Clark Electronics Consultants Limited the sum of £750 within fourteen days of the expiry of the appeal period, or within fourteen days of the final determination of this case if any appeal against this decision is unsuccessful. Under section 74(1) of the Act, an appeal can only be made in relation to the decision to dismiss the application; there is no right of appeal in relation to costs.

40. Any notice of appeal must be given within one month of the date of this decision. Appeal is to the High Court in England Wales and Northern Ireland and to the Court of Session in Scotland. The Tribunal must be advised if an appeal is lodged.

Dated this 15TH day of February 2016

Judi Pike

Oliver Morris

Mark King

Company Names
Adjudicator

Company Names
Adjudicator

Company Names
Adjudicator