

## **COMPANIES ACT 2006**

**In the matter of applications Nos. 577 and 578 by OLFA Corporation for a change to the company names of OLFA Limited and OLFA U.K. Limited, registered in England and Wales under Nos. 7735522 & 7735454**

### **Background, Claims and Defences**

1. OLFA Limited and OLFA U.K. Limited were incorporated under those names on 11 August 2011. They are the respondents in these proceedings. Mr Adrian Shaw is the sole Director of these companies. He is a co-respondent in these proceedings.

2. On 21 May 2013, OLFA Corporation of Japan (“the applicant”) applied for Orders under section 69 of the Companies Act 2006 for the names of the respondent companies to be changed. The grounds for the applications are that:

- i) The applicant is a Japanese manufacturer of utility knives, in particular snap-off blade cutters. The founder of the applicant invented this type of cutter in 1956 and a type of rotary cutter in 1979.
- ii) OLFA is also the applicant’s trading name. The applicant’s products are sold throughout the world, including in the UK, and have acquired a reputation under the name OLFA.
- iii) The co-respondent runs another company called Absolutely Shaw Limited. Between 2002 and 2004, this company was a non-exclusive distributor of the applicant’s OLFA products in the UK. The distributorship was ended at the end of 2004 because the UK distributor was not meeting the sales levels expected by its Japanese principal.
- iv) The person responsible for the incorporation of the respondents was therefore aware of the applicant and its reputation at the time that the companies were incorporated in August 2011.
- v) The respondents’ names are identical or similar to the name in which the applicant has a qualifying reputation.

3. The respondent filed notices of defence. The respondent:

- Does not deny that the respondents’ names are identical or similar to the name in which the applicant claims to have a reputation.

- Says that a proposed UK marketing strategy based around the domain name www.olfa.co.uk was agreed in 2000 with a Mr Harada, the applicant's International Sales Manager, under which Absolutely Shaw Limited would *"invest in it"*.
- Claims that the applicant refused to buy the UK domain name in 2000, did not register the company names when they were available, and has not taken up an offer made in March 2012 to buy, as a package, the UK domain name, the company names at issue in these proceedings, the goodwill generated from UK sales of OLFA products by Absolutely Shaw Limited, and the OLFA stock held by that company.
- Says that the applicant's appointment of new UK distributors threatened to undermine the UK goodwill built up by Absolutely Shaw Limited, so the company names at issue were registered in order to prevent the OLFA name being registered *"by another company"*.
- States that the companies that are the subject of these proceedings have not traded and are currently dormant.

4. Both sides seek an award of costs.

5. The proceedings are consolidated.

### **The evidence**

6. The applicant's evidence takes the form of three witness statements. Two are from Satoru Tanide, the applicant's Export Director. The third is from Jay Shah of S & S Home Supplies Limited, which has been a UK distributor for the applicant's OLFA products since 2008.

7. The respondents filed one witness statement from Adrian Shaw, the co-respondent.

8. Mr Tanide says that the applicant registered OLFA as a trade mark in the UK in 1971 and that the registration is still in force under No.984812. Around £220k worth of OLFA products were sold in the UK per annum between 1987 and 2000, after which there was a decline in sales. Between 2003 and 2013 the applicant sold between around £120k and £305k worth of OLFA products per annum in the UK. The highest sales were achieved in 2011.

9. Mr Tanide provides a breakdown of these sales by each of its UK distributors<sup>1</sup>. These show that the applicant had 3 or 4 UK distributors throughout this period. Absolutely Shaw is listed as one of four UK distributors in the entries for 2003 and 2004. It had the lowest level of sales of the applicant's 4 UK distributors.

10. Also provided<sup>2</sup> are examples of UK advertising of OLFA products. For example, the applicant advertised OLFA cutting blades in the June/July 2009 edition of The Professional Painter & Decorator.

11. Mr Shah's evidence is that his company started purchasing OLFA branded products in 2008 because of their international reputation and because many professional UK tradesmen had used these products in the past. He says that two of the largest UK suppliers to professional tradesmen (Crown Decorator Centres & C Brewer & Sons) stocked the OLFA branded products because of the level of brand recognition.

12. Mr Shah's company exhibited OLFA products at the National Painting & Decorating Show 2009 to 2013 and at the Totally Tools DIY Show 2011 and 2013. Advertisements for the products have also been placed in The Professional Painter & Decorator, The Decorator and Decorating Matters<sup>3</sup>.

13. Mr Shah estimates that his company spent around £90k advertising the applicant's OLFA products in the UK.

14. Mr Shaw's statement makes the following points:

- i) In 2001 the applicant invited Mr Shaw to become an OLFA distributor in the UK and Eire.
- ii) "*Considerable marketing efforts*" were made in the following years to establish a UK contact point, a web based brochure for OLFA products with UK retail process, a trade price list, and to develop new sales outlets.
- iii) In July 2004, the applicant took a unilateral decision to cease collaboration with Absolutely Shaw Limited. However, arrangements were put in place for the company to continue to receive OLFA stock via a European distributor.

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<sup>1</sup> See annex B to W/S Tanide 1

<sup>2</sup> As annex D to W/S Tanide 1

<sup>3</sup> Examples of the advertisements are in Annex B to W/S Shah

- iv) No further correspondence was received from the applicant until Absolutely Shaw Limited received a letter from the applicant's Trade Mark Attorneys dated 26 March 2012. The main subject of the letter was the ownership of the domain name [www.olfa.co.uk](http://www.olfa.co.uk).
- v) A copy of the landing page for this site is provided<sup>4</sup>. It shows that Absolutely Shaw Limited uses the site to promote OLFA products. The site makes clear that the products are made by OLFA in Japan and imported into the UK by Absolutely Shaw Limited. It also contains a link to the applicant's website at [www.olfa.com](http://www.olfa.com).
- vi) Mr Shaw responded to this letter denying that the use of OLFA on the [olfa.co.uk](http://olfa.co.uk) website was misleading because all the goods offered for sale were OLFA products. He also offered to sell Absolutely Shaw Limited's interest in the website, the goodwill acquired in the UK, and the company's OLFA stock, to the applicant.

15. Mr Tanide's second witness statement includes a number of points in response to the statement of Mr Shaw. In particular, Mr Tanide says that:

- i) The distribution agreement with Absolutely Shaw Limited was terminated because its sales of OLFA products were below target.
- ii) Correspondence continued with Mr Shaw until the end of 2004 during which time Mr Shaw asked OLFA for £30k as payment for Absolutely Shaw Limited's interest in the OLFA mark and products, including the possibility of registering a company called OLFA UK. The applicant's response made clear that it did not consent to such a registration.
- iii) The letter of March 2012 from the applicant's UK Trade Mark Attorneys made it clear that the applicant's concern extended to the companies the subject of these proceedings.

## Decision

16. 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

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<sup>4</sup> As exhibit 5 to W/S Shaw

(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 those 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.”

17. The applicant must first establish that it has goodwill in relation to a name that is the same as that of the respondent companies, or sufficiently similar that the use of the respondent's names in the United Kingdom to be likely to mislead by suggesting a connection between the respondents and the applicant. If this burden is fulfilled it is necessary to consider whether the respondents can rely on any of the defences under section 69(4) of the Act.

18. The name in question is OLFA. The applicant must show that it had goodwill under that name at the date of the applications before me, namely 21 May 2013: see *MB Inspection Ltd v Hi-Rope Ltd*<sup>5</sup> at paragraph 43.

19. The applicant's evidence establishes that it has been trading under the name OLFA in the UK, through UK distributors of its products, since at least 1987. It has maintained a modest, but not negligible, level of trade under that name. Between 2002 and 2013, the applicant's products were distributed in the UK through 3 or 4 UK distributors, including at one time the co-respondent's company Absolutely Shaw Limited.

20. For the purposes of passing-off law, the line to be drawn is between those businesses with a small goodwill and those with only a trivial goodwill.<sup>6</sup> Given that s.69 defines "goodwill" as including "reputation of any description", it is unlikely that the level of goodwill required under s.69 is greater than the level of goodwill required for protection under the law of passing-off. There is no doubt in my mind that there was sufficient goodwill in the UK under the name OLFA in order for that name to qualify for protection under s.69.

21. Further, it is apparent from the evidence of Mr Tanide, Mr Shah and Mr Shaw that OLFA products have been promoted in the UK as products made by the applicant in Japan<sup>7</sup>. I therefore find that the name OLFA was associated with the applicant.

22. The addition of the word 'Limited' in the names of the respondent companies does not prevent those names from being considered the same as the applicant's name for the purposes of s.69(1)(a)<sup>8</sup>. I therefore find that the name of the first respondent, OLFA Limited, is the same as the name in which the applicant enjoys goodwill. The name of the second respondent, OLFA UK Limited, is not the same as OLFA alone because it includes the letters 'UK'. However, those letters are plainly likely to be taken as indicating a connection between the company and the applicant;

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<sup>5</sup> BL O/106/10, [2010] RPC 18

<sup>6</sup> See *Hart v Relentless Records Ltd* [2002] EWHC1984 and *Jian Tools For Sales Inc. v Roedrick Manhattan Group Limited* [2005] FSR 924 Ch. D

<sup>7</sup> See, for example, the exhibit 5 to W/S Shaw showing the landing page for the ofla.co.uk website with a link to the applicant's website.

<sup>8</sup> See *MB Inspection Ltd v Hi-Rope Ltd* at paragraph 48

namely, that the company is a UK branch of the applicant company, such as a UK subsidiary. I therefore find that the name of the second respondent, OLFA UK Limited, meets the conditions set out in s.69(1)(b).

23. The applications must therefore succeed unless the respondents have a defence under s.69(4). The burden is on the respondents to persuade me that they are entitled to one or more of the statutory defences. Mr Shaw argues that all the defences apply. However, most of these arguments must be quickly rejected because there is no basis for them.

24. The respondents contend that the defence under s.69(4)(a) applies because the respondent companies are linked to a marketing strategy agreed between Absolutely Shaw Limited and the applicant in 2000. However, even if that were true and potentially relevant, the activities on which the applicant relies began at least as early as 1987, whereas the respondent companies were registered in 2011. Therefore the company names were plainly not registered before the commencement of the activities on which the applicant relies to show goodwill. Consequently, the s.69(4)(a) defence cannot apply.

25. Mr Shaw's evidence is that the respondents are dormant companies and his business is conducted through Absolutely Shaw Limited. Therefore the respondents have never operated under the company names, and there is no evidence that the respondents incurred substantial start up costs prior to the date of the applicant's applications, or at all. Section 69(4)(b) cannot therefore apply.

26. Mr Shaw says that s.69(4)(c) applies because i) the applicant could have incorporated the companies with the offending names before he did so, and ii) Absolutely Shaw Limited offered to sell the applicant the companies "*under a commercial valuation that incorporates the work and investment [of that company]*". The first point provides no defence under s.69(4)(c). If it applied, every respondent would have a defence under this provision because, by definition, if the respondent(s) has registered the name(s), it follows that the applicant cannot have registered a company or companies with the same name(s). The second point is also rejected. This is because the defence applies only where the company name(s) were registered by a company formation agent and are available for sale on the usual terms applicable to 'shelf' companies. The respondents were not incorporated by a company formation agent. Further, it is clear from Mr Shaw's evidence that they are only available for sale to the applicant as part of a package including a domain name, stock and the goodwill he believes he has helped to establish in the UK. Section 69(4)(c) cannot therefore apply.

27. It is convenient to consider the proposed defences under s.69(d) and (e) together. Mr Shaw relies on the following:

- i) At no time has there been any misrepresentation of products as OLFA products because all the products sold by Absolutely Shaw Limited under the name OLFA are genuine OLFA products.
- ii) The previous disinterest on the part of the applicant in registering the OLFA company name in the UK.
- iii) *“The sudden acquisitive interest of a new UK distributor in the domain name and brand in the UK persuaded [Mr Shaw] to register [the respondents], in good faith to protect the work done in the previous decade, by [his] company Absolutely Shaw Limited being undermined.”*

28. The first point is irrelevant because the respondents (as opposed to Absolutely Shaw Limited) have not conducted any business under the company names.

29. The second point is also irrelevant. There was no need for the applicant, a Japanese company, to register a UK company in order to conduct its business in the UK. And it should not have needed to do so simply in order to prevent another party appropriating the name for its own purposes.

30. The third point is based on a critical misunderstanding. Where a retailer sells products bearing the name of a manufacturer, then the goodwill generated under the manufacturer’s name belongs entirely to the manufacturer. This is because it is the manufacturer who is responsible for the quality of the goods. The retailer owns the goodwill generated by its retail business, but that business is distinguished by the retailer’s name rather than by the name(s) of the manufacturer(s) whose goods it sells. So Absolutely Shaw Limited owns 100% of the goodwill in the business of that name and the applicant owns 100% of the goodwill generated by sales of OLFA products, whether through Absolutely Shaw Limited or otherwise. This means that resellers or repairers of a manufacturer’s products have to be careful not to use the manufacturer’s trade name or trade marks in such a way as to mislead the public into believing that they are an official offshoot of the manufacturer’s business when they are not<sup>9</sup>. It is highly arguable, in my view, that the use of OLFA on the olfa.co.uk website gives the impression that it is more closely connected to the applicant than it actually is - merely stocking its goods.

31. Consequently, neither Absolutely Shaw Limited, nor Mr Shaw himself, owns a proprietary or beneficial interest in the name OLFA. Therefore, Mr Shaw’s belief that he was justified in registering the respondent companies in order to protect his interest in OLFA in the UK is misplaced. The question of whether Mr Shaw was

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<sup>9</sup> See, for example, *BMW v Deenik*, Court of Justice of the European Union concerning the conditions under which a specialist in repairing BMW vehicles could lawfully use the sign ‘BMW Specialist’. The court held that it could not do so if it gave the false impression that the user of the sign and BMW were economically linked, such as the former being an authorised BMW dealer.

acting in good faith must be judged objectively, not merely by his own standards<sup>10</sup>. In my view, a reasonable person applying normal commercial standards in this field of business would have realised that it was improper to register a company bearing the name of a foreign manufacturer with which it had dealings, without that company's consent. I therefore find that the good faith defence in s.69(4)(d) does not apply.

32. The existence of the respondent companies plainly has the potential to affect the applicant's interests to a significant extent. Apart from denying the applicant the opportunity of registering its own corporate name in the UK, the use of these companies' names has the clear potential to drive UK sales of its products through particular channels by misleading the public into believing that the respondents are official UK offshoots of the applicant's business. At the very least, this denies the applicant the right to control the distribution of its products in the UK. There is therefore no defence available under s.69(4)(e) either.

33. As none of the defences apply, the applications succeed.

34. In accordance with section 73(1) of the Act, the following order is made:

(a) OLFA LIMITED and OLFA UK LIMITED shall change their names within one month of the date of this order to one that is not an offending name<sup>11</sup>.

(b) OLFA LIMITED, OLFA UK LIMITED and Mr Adrian Shaw shall:

(i) take such steps as are within their power to make, or facilitate the making, of that change;

(ii) not cause or permit any steps to be taken calculated to result in a company being registered with a name that is an offending name.

35. In accordance with s.73(3) of the Act, this order may be enforced in the same way as an order of the High Court or, in Scotland, the Court of Session.

35. In any event, if no changes of name are made within one month of the date of this order, new company names will be determined by this tribunal as per section 73(4) of the Act and notice will be given of those changes under section 73(5) of the Act.

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<sup>10</sup> See Case BL O/106/10, *MB Inspection Ltd v Hi-Rope Ltd*, paragraph 57.

<sup>11</sup> An "offending name" means a name that, by reason of its similarity to the name associated with the applicant in which he claims goodwill, would be likely to be the subject of a direction under section 67 (power of Secretary of State to direct change of name), or to give rise to a further application under section 69.

## Costs

36. The applicant has been successful and is entitled to a contribution towards its costs. In its written arguments filed on behalf of the applicant, Mewburn Ellis LLP asked for costs to be awarded above the usual scale because Mr Shaw was given plenty of opportunity to change the company names before these applications were filed, but remained stubborn and uncooperative throughout. Further, the counterstatements were vague as to which defences were being run, causing the applicant to address them all. However, despite asking for above scale costs, no information has been provided as to what the applicant's actual costs are.

37. I sympathise with the applicant's request, but I see nothing unusual about the factors mentioned above, either alone or in combination, which persuades me that this is an exceptional case where above scale costs are justified. Stubbornness and lack of cooperation do not mean that the respondents have acted unreasonably in the conduct of these proceedings. The respondents' difficulty in articulating the applicable defences reflects the fact that they have not been legally represented. I do not think it right to punish that through costs. I will therefore award costs on the basis of the usual scale.

38. I order OLFA LIMITED, OLFA UK LIMITED and Mr Adrian Shaw to pay OLFA Corporation the sum of £3000. The respondents and co-respondent shall be jointly and severally liable for these costs. The costs are calculated as follows:

Preparing statements and considering the other side's statements  
£400

Preparing evidence and considering the respondents' evidence  
£1200

Filing written submissions in lieu of a hearing  
£300

Expenses (official fees for two Forms CNA1s and two CNA3s)  
£1100

39. The above sum is to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

40. Any notice of appeal against this decision must be given within one month of the date of this order. 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 17th day of September 2014**

**Allan James  
Company Names Adjudicator**